

9754. Also, petition of Minnesota Implement Dealers' Association, Owatonna, Minn., urging revision of bankruptcy laws; to the Committee on Banking and Currency.

9755. Also, petition of Minnesota State Legislature, urging enactment of the Frazier bill; to the Committee on Banking and Currency.

9756. Also, petition of Ladies Society of B. of L. E. & F., Dilworth, Minn., urging enactment of House bill 10023; to the Committee on Interstate and Foreign Commerce.

9757. Also, petition of Advertising Club, Hibbing, Minn., urging restoration of a 2-cent postage rate; to the Committee on the Post Office and Post Roads.

9758. Also, petition of Lutheran Brotherhood, Madison, Minn., protesting against legalizing beer; to the Committee on Ways and Means.

9759. Also, petition of Lutheran Brotherhood, Madison, Minn., protesting against the repeal of the eighteenth amendment; to the Committee on the Judiciary.

9760. Also, petition of Minnesota Department of Reserve Officers Association, urging that the established military policy of the United States as defined in the national defense act be adhered to; that the Regular Army be kept at its present commissioned and enlisted strength; and that summer training be continued for not less than 23,000 reserve officers; to the Committee on Appropriations.

9761. Also, petition of Chippewa County Holiday Association, Montevideo, Minn., urging enactment of the Frazier bill; to the Committee on Banking and Currency.

9762. By Mr. LAMBERTSON: Resolutions of the Woman's Christian Temperance Unions of Highland and Larkinburg, Kans., urging the establishment of a Federal motion-picture commission and to declare the industry a public utility; to regulate the trade practices of the industry; to supervise the selection and treatment of subject material during the processes of production; and to provide for the Government supervision of all pictures in foreign and interstate commerce; to the Committee on Interstate and Foreign Commerce.

9763. By Mr. LINDSAY: Petition of H. E. Schack, Hollis, Long Island, favoring revaluation of the gold standard; to the Committee on Banking and Currency.

9764. Also, petition of the Committee on International Justice and Goodwill of the Brooklyn Church and Mission Federation, indorsing the joint resolution controlling exports of arms; to the Committee on Military Affairs.

9765. Also, petition of the National Committee on Education by Radio, Washington, D. C., concerning proposed amendment, section 14b, House bill 7716, of the radio act of 1927; to the Committee on Merchant Marine, Radio, and Fisheries.

9766. Also, petition of Commercial Investment Trust (Inc.), New York City, opposing publicity given borrowers from Reconstruction Finance Corporation; to the Committee on Banking and Currency.

9767. Also, petition of the Crockery Board of Trade of New York, New York City, favoring the return of the 2-cent letter postage rate; to the Committee on Ways and Means.

9768. By Mr. PARTRIDGE: Resolution of the Woman's Christian Association of Rockland, Me., protesting against modification or repeal of the eighteenth amendment and the Volstead Act, and favoring adequate appropriations for law enforcement and a campaign of education in law observance; to the Committee on the Judiciary.

9769. By Mr. RAINEY: Petition of Layo W. Meyer and nine other citizens of Hull, Ill., protesting against granting a pension to Mrs. Grace Coolidge; to the Committee on Pensions.

9770. By Mr. RUDD: Petition of the Crockery Board of Trade of New York, favoring the return of the 2-cent letter postage rate; to the Committee on the Post Office and Post Roads.

9771. Also, petition of Brooklyn Church and Mission Federation, Brooklyn, N. Y., favoring conferring upon the President of the United States control over exports of arms; to the Committee on Military Affairs.

9772. Also, petition of Washington Cooperative Egg & Poultry Association, favoring the United States participation in World Poultry Congress; to the Committee on Agriculture.

9773. Also, petition of Commercial Investment Trust (Inc.), New York City, opposing publicity given to names of past and prospective borrowers of the Reconstruction Finance Corporation; to the Committee on Banking and Currency.

9774. By Mr. SELVIG: Petition of Hibbing Advertising Club, Hibbing, Minn., urging restoration of 2-cent postage on first-class mail; to the Committee on Ways and Means.

9775. Also, petition in the nature of a resolution adopted at the 1933 session of the Minnesota Legislature, petitioning Congress to enact the Frazier bill, for relief of the farmers; to the Committee on Banking and Currency.

9776. By Mr. SNOW: Resolution of meeting sponsored by the Greenville Woman's Christian Temperance Union of Greenville, Me., opposing any legislation tending to nullify, weaken, or repeal the eighteenth amendment and the Volstead Act; to the Committee on the Judiciary.

9777. By Mr. SPARKS: Petition of citizens of Oberlin, Kans., submitted by J. L. Fiske and H. B. Scott, and signed by 142 others, favoring the support of the Wheeler bill; to the Committee on Banking and Currency.

9778. By Mr. SUTPHIN: Petition of the Railroad Employees and Taxpayers Association of New Jersey, opposing, without reservation, the ratification of the treaty calling for the construction of a deep waterway between the Great Lakes and the Atlantic Ocean; to the Committee on Rivers and Harbors.

9779. By Mr. WATSON: Resolution adopted by the Woman's Christian Temperance Union of Yardley, Pa., favoring a Federal motion-picture commission; to the Committee on Interstate and Foreign Commerce.

## SENATE

MONDAY, JANUARY 23, 1933

(Legislative day of Tuesday, January 10, 1933)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

The VICE PRESIDENT. The Senate will receive a message from the House of Representatives.

### MESSAGE FROM THE HOUSE—ENROLLED BILLS SIGNED

A message from the House of Representatives by Mr. Haltigan, one of its clerks, announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the Vice President:

S. 4597. An act to restore to their former retired status in the Regular Army of the United States persons who resigned such status to accept the benefits of the act of May 24, 1928 (45 Stat. 735), and for other purposes;

S. 5260. An act granting the consent of Congress to the Board of Supervisors of Marion County, Miss., to construct, maintain, and operate a free highway bridge across Pearl River at or near Columbia, Miss.; and

S. 5261. An act granting the consent of Congress to the Board of Supervisors of Monroe County, Miss., to construct, maintain, and operate a free highway bridge across Tombigbee River at or near Old Cotton Gin Port, Miss.

### THE JOURNAL

Mr. FESS. Mr. President, I ask unanimous consent for the approval of the Journal for the calendar days of January 18, 19, 20, and 21, 1933.

The VICE PRESIDENT. Without objection, it is so ordered.

### CALL OF THE ROLL

Mr. FESS. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Ashurst	Dale	Keyes	Schuyler
Austin	Davis	King	Sheppard
Bailey	Dickinson	Lewis	Shipstead
Bankhead	Dill	Logan	Shortridge
Barbour	Fess	Long	Smith
Barkley	Fletcher	McGill	Smoot
Bingham	Frazier	McNary	Stetwer
Black	George	Metcalf	Stephens
Blaine	Glass	Moses	Swanson
Borah	Goldsborough	Neely	Thomas, Idaho
Bratton	Gore	Norbeck	Thomas, Okla.
Brookhart	Grammer	Norris	Townsend
Broussard	Hale	Nye	Trammell
Bulkeley	Harrison	Oddie	Tydings
Bulow	Hastings	Patterson	Vandenberg
Byrnes	Hayden	Pittman	Wagner
Capper	Hebert	Reed	Walcott
Caraway	Howell	Reynolds	Walsh, Mass.
Connally	Hull	Robinson, Ark.	Walsh, Mont.
Coolidge	Johnson	Robinson, Ind.	Watson
Costigan	Kean	Russell	Wheeler
Couzens	Kendrick	Schall	White

The VICE PRESIDENT. Eighty-eight Senators have answered to their names. A quorum is present.

#### SENATOR FROM MISSOURI

The VICE PRESIDENT. The Chair lays before the Senate a matter of privilege, which will be read:

The Chief Clerk read as follows:

UNITED STATES SENATE,  
Washington, D. C., January 23, 1933.

HON. CHARLES CURTIS,  
Vice President of the United States.

MY DEAR MR. PRESIDENT: Inclosed herewith find copy of my resignation as a Senator of the United States from the State of Missouri, which I have forwarded to the Governor of Missouri. May I request that this be read to the Senate and made a part of the official records?

Yours sincerely,

HARRY B. HAWES.

[Inclosure]

UNITED STATES SENATE,  
Washington, D. C., January 23, 1933.

HON. GUY B. PARK,  
Governor of Missouri, Jefferson City, Mo.

MY DEAR GOVERNOR: Please accept my resignation as a United States Senator from the State of Missouri, to take effect on February 3, 1933. My term of office expires March 3, 1933.

It pleases me, and I am sure will meet with the approval of Missouri Democrats, to know that you will appoint to this vacancy that very able young statesman, Col. BENNETT C. CLARK, who has been elected as my successor.

Some two years ago I decided to retire, but have awaited the election of a Democratic governor to fill the vacancy by appointment.

With regards, I am, sincerely your friend,

HARRY B. HAWES.

The VICE PRESIDENT. The communications will lie on the table.

#### OHIO RIVER BRIDGE NEAR CANNELTON, IND.

The VICE PRESIDENT laid before the Senate the amendments of the House of Representatives to the bill (S. 5131) to extend the times for commencing and completing the construction of a bridge across the Ohio River at or near Cannelton, Ind., which were, on page 1, line 9, to strike out "two and four" and insert "one and three," and on page 1, line 10, to strike out "the date of approval hereof" and insert "March 1, 1933."

Mr. WATSON. I move that the Senate concur in the amendments of the House.

The motion was agreed to.

#### MISSOURI RIVER BRIDGE NEAR ST. CHARLES, MO.

The VICE PRESIDENT laid before the Senate the amendment of the House of Representatives to the bill (S. 5232) to extend the time for constructing a bridge across the Missouri River at or near St. Charles, Mo., which was to amend the title so as to read: "An act to extend the time for completing the construction of a bridge across the Missouri River at or near St. Charles, Mo."

Mr. PATTERSON. I move that the Senate concur in the House amendment.

The motion was agreed to.

#### CHANGE IN DATE OF THE INAUGURATION

The VICE PRESIDENT laid before the Senate a letter from the Governor of California, transmitting certified copy of a joint resolution of the Legislature of the State of Cali-

fornia, which, with the accompanying papers, was ordered to lie on the table and to be printed in the RECORD, as follows:

STATE OF CALIFORNIA,  
GOVERNOR'S OFFICE,  
Sacramento, January 11, 1933.

HON. CHARLES CURTIS,  
President of the Senate, United States of America,  
Washington, D. C.

DEAR VICE PRESIDENT CURTIS: I am attaching hereto a certified copy of assembly Joint Resolution No. 1, adopted in the assembly January 3, 1933, and adopted in the senate January 4, 1933, at their fiftieth session.

A majority of all members elected to each house of the California Legislature voted in favor thereof, ratifying an amendment to the Constitution of the United States, proposed by the Congress of the United States of America fixing the commencement of the terms of President and Vice President and Members of Congress and fixing of time of assembling of Congress.

With my compliments and best of good wishes,

Very respectfully and sincerely yours,

JAMES ROLPH, JR.,  
Governor of California.

STATE OF CALIFORNIA,  
DEPARTMENT OF STATE.

I, Frank C. Jordan, secretary of state of the State of California, do hereby certify that I have carefully compared the transcript, to which this certificate is attached, with the record on file in my office of which it purports to be a copy, and that the same is a full, true, and correct copy thereof. I further certify that this authentication is in due form and by the proper officer.

In witness whereof, I have hereunto set my hand and have caused the great seal of the State of California to be affixed hereto this 10th day of January, 1933.

[SEAL.]

FRANK C. JORDAN,  
Secretary of State.  
By CHAS. J. HAGERTY,  
Deputy.

#### Assembly Joint Resolution No. 1

Adopted in assembly January 3, 1933.

ARTHUR A. CHNIMUS,  
Chief Clerk of the Assembly.

Adopted in senate January 4, 1933.

J. A. BEEK,  
Secretary of the Senate.

This resolution was received by the governor, this 10th day of January, A. D. 1933, at 10.15 o'clock a. m.

WM. A. SMITH,  
Private Secretary of the Governor.

Endorsed: Filed in the office of the secretary of state of the State of California January 10, 1933.

FRANK C. JORDAN,  
Secretary of State.  
By CHAS. J. HAGERTY,  
Deputy.

#### CHAPTER 6

Assembly Joint Resolution 1, relative to ratification of an amendment to the Constitution of the United States, proposed by the Congress of the United States of America, relating to fixing the commencement of the terms of President and Vice President and Members of Congress and fixing of time of assembling of Congress

Whereas the Seventy-second Congress of the United States of America, at its first session, has adopted Senate Joint Resolution No. 14, two-thirds of each house concurring therein, proposing an amendment to the Constitution of the United States, in the following words, to wit:

"Joint resolution proposing an amendment to the Constitution of the United States fixing the commencement of the terms of President and Vice President and Members of Congress and fixing the time of the assembling of Congress

"Resolved by the Senate and House of Representatives of the United States of America in Congress assembled (two-thirds of each House concurring therein), That the following amendment to the Constitution be, and hereby is, proposed to the States, to become valid as a part of said Constitution when ratified by the legislatures of the several States as provided in the Constitution:

#### "ARTICLE —

"SECTION 1. The terms of the President and Vice President shall end at noon on the 20th day of January, and the terms of Senators and Representatives at noon on the 3d day of January, of the years in which such terms would have ended if this article had not been ratified; and the terms of their successors shall then begin.

"SEC. 2. The Congress shall assemble at least once in every year, and such meeting shall begin at noon on the 3d day of January, unless they shall by law appoint a different day.

"SEC. 3. If, at the time fixed for the beginning of the term of the President, the President elect shall have died, the Vice President elect shall become President. If a President shall not have been chosen before the time fixed for the beginning of his term, or if the President elect shall have failed to qualify, then the Vice President elect shall act as President until a President shall have qualified; and the Congress may by law provide for the case

wherein neither a President elect nor a Vice President elect shall have qualified, declaring who shall then act as President, or the manner in which one who is to act shall be selected, and such person shall act accordingly until a President or Vice President shall have qualified.

"SEC. 4. The Congress may by law provide for the case of the death of any of the persons from whom the House of Representatives may choose a President whenever the right of choice shall have devolved upon them, and for the case of the death of any of the persons from whom the Senate may choose a Vice President whenever the right of choice shall have devolved upon them.

"SEC. 5. Sections 1 and 2 shall take effect on the 15th day of October following the ratification of this article.

"SEC. 6. This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by the legislatures of three-fourths of the several States within seven years from the date of its submission."

And whereas said proposed amendment will be valid as part of the Constitution of the United States when ratified by the legislatures of three-fourths of the several States: Therefore be it

*Resolved by the assembly and senate, jointly, at its fiftieth session, commencing on the second day of January, 1933 (a majority of all the members elected to each house of said legislature voting in favor thereof), That the said proposed amendment be and the same is hereby ratified by the legislature of the State of California.*

*Resolved further, That certified copies of the foregoing preamble and resolution be forwarded by the governor of the State of California to the President of the United States, the Secretary of State of the United States, the President of the Senate of the United States, and the Speaker of the House of Representatives of the United States.*

WALTER J. LITTLE,  
Speaker of the Assembly.  
FRANK F. MERRIAM,  
President of the Senate.

Attest:  
[SEAL.]

FRANK C. JORDAN,  
Secretary of State.

The VICE PRESIDENT also laid before the Senate a letter from the Governor of Montana, transmitting certified copy of a joint resolution of the Legislature of the State of Montana, which, with the accompanying papers, was ordered to lie on the table and to be printed in the RECORD, as follows:

STATE OF MONTANA,  
OFFICE OF THE GOVERNOR,  
Helena, Mont., January 18, 1933.

THE PRESIDENT OF THE SENATE,  
Senate Chamber, Washington, D. C.

DEAR SIR: I have the honor to transmit herewith a certified copy of Senate Joint Resolution No. 1, ratifying an amendment to the Constitution of the United States fixing the commencement of the terms of President, Vice President, and Members of Congress, and fixing the time of the assembling of Congress, as passed by the Twenty-third Legislative Assembly of the State of Montana.

Yours very truly,

J. E. ERICKSON, Governor.

UNITED STATES OF AMERICA,  
State of Montana, ss:

I, Sam W. Mitchell, secretary of state of the State of Montana, do hereby certify that the following is a true and correct copy of an act entitled "Senate Joint Resolution No. 1," being a joint resolution ratifying an amendment to the Constitution of the United States fixing the commencement of the terms of President, Vice President, and Members of Congress, and fixing the time of the assembling of Congress, enacted by the twenty-third session of the Legislative Assembly of the State of Montana, and approved by J. E. Erickson, governor of said State, on the 17th day of January, 1933.

In testimony whereof I have hereunto set my hand and affixed the great seal of said State.

Done at the city of Helena, the capital of said State, this 17th day of January, A. D. 1933.

[SEAL.]

SAM W. MITCHELL,  
Secretary of State.

A joint resolution ratifying an amendment to the Constitution of the United States fixing the commencement of the terms of President, Vice President, and Members of Congress, and fixing the time of the assembling of Congress

Whereas at the first session of the Seventy-second Congress of the United States of America it was—

*Resolved by the Senate and House of Representatives of the United States in Congress assembled (two-thirds of each House concurred therein), That the following article be proposed as an amendment to the Constitution of the United States, which, when ratified by the legislatures of three-fourths of the several States, shall be valid to all intents and purposes as part of the Constitution:*

"ARTICLE —

"SECTION 1. The terms of the President and Vice President shall end at noon on the 20th day of January, and the terms of Sena-

tors and Representatives at noon on the 3d day of January of the years in which such terms would have ended if this article had not been ratified, and the terms of their successors shall then begin.

"SEC. 2. The Congress shall assemble at least once in every year, and such meeting shall begin at noon on the 3d day of January, unless they shall by law appoint a different day.

"SEC. 3. If at the time fixed for the beginning of the term of the President, the President elect shall have died, the Vice President elect shall become President. If a President shall not have been chosen before the time fixed for the beginning of his term, or if the President elect shall have failed to qualify, then the Vice President elect shall act as President until a President shall have qualified; and the Congress may by law provide for the case wherein neither a President elect nor a Vice President elect shall have qualified, declaring who shall then act as President or the manner in which one who is to act shall be selected, and such person shall act accordingly until a President or Vice President shall have qualified.

"SEC. 4. The Congress may by law provide for the case of the death of any of the persons from whom the House of Representatives may choose a President whenever the right of choice shall have devolved upon them, and for the case of the death of any of the persons from whom the Senate may choose a Vice President whenever the right of choice may have devolved upon them.

"SEC. 5. Sections 1 and 2 shall take effect on the 15th day of October following the ratification of this article.

"SEC. 6. This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by the legislatures of three-fourths of the several States within seven years from the date of its submission."

Therefore be it

*Resolved by the Senate and House of Representatives of the State of Montana, concurring, That the said proposed amendment to the Constitution of the United States of America be, and the same is, hereby ratified by the Legislative Assembly of the State of Montana; and further be it*

*Resolved, That certified copies of this joint resolution be forwarded by the Governor of the State of Montana to the President of the United States, the Secretary of State of the United States, the President of the Senate of the United States, and the Speaker of the House of Representatives of the United States.*

F. H. COONEY,  
President of the Senate.  
D. A. DELLWO,  
Speaker of the House.

Approved January 17, 1933.

J. E. ERICKSON, Governor.

The VICE PRESIDENT also laid before the Senate a letter from the Governor of Wyoming, transmitting certified copy of a joint resolution of the Legislature of the State of Wyoming, which, with the accompanying papers, was ordered to lie on the table and to be printed in the RECORD, as follows:

THE STATE OF WYOMING,  
EXECUTIVE DEPARTMENT,  
Cheyenne, January 20, 1933.

HON. CHARLES CURTIS,  
Vice President, President of the United States Senate,  
Washington, D. C.

DEAR MR. VICE PRESIDENT: I have the honor to send you herewith a certified copy of enrolled Joint Resolution No. 1, senate, of the Twenty-second Legislature of the State of Wyoming, this being a resolution ratifying the twentieth amendment to the Constitution of the United States of America.

Respectfully,

LESLIE A. MILLER, Governor.

THE STATE OF WYOMING,  
OFFICE OF THE SECRETARY OF STATE.

UNITED STATES OF AMERICA,  
State of Wyoming, ss:

I, A. M. Clark, secretary of state of the State of Wyoming, do hereby certify that the annexed is a full, true, and correct copy of enrolled Joint Resolution No. 1, senate, of the Twenty-second Legislature of the State of Wyoming, being original Senate Joint Resolution No. 1, approved by the governor on January 20, 1933, at 9.30 a. m.

In testimony whereof I have hereunto set my hand and affixed the great seal of the State of Wyoming.

Done at Cheyenne, the capital, this 20th day of January, A. D. 1933.

[SEAL.]

A. M. CLARK,  
Secretary of State.  
By C. J. ROGERS, Deputy.

Resolution ratifying the proposed amendment to the Constitution of the United States of America

Whereas both Houses of the Seventy-second Congress of the United States of America, by a constitutional majority of two-thirds thereof, made the following proposal to amend the Constitution of the United States of America relating to the fixing and commencement of the terms of the President and Vice President and Members of Congress, and fixing the time of the assembling of Congress, in the following words, to wit:

"Joint resolution proposing an amendment to the Constitution of the United States fixing the commencement of the terms of President and Vice President and Members of Congress, and fixing the time of the assembling of Congress

"Resolved by the Senate and House of Representatives of the United States of America in Congress assembled (two-thirds of each House concurring therein), That the following amendment to the Constitution be, and hereby is, proposed to the States to become valid as a part of said Constitution when ratified by the legislatures of the several States as provided in the Constitution:

"ARTICLE —

"SECTION 1. The terms of the President and Vice President shall end at noon on the 20th day of January, and the terms of Senators and Representatives at noon on the 3d day of January, of the years in which such terms would have ended if this article had not been ratified, and the terms of their successors shall then begin.

"Sec. 2. The Congress shall assemble at least once in every year, and such meeting shall begin at noon on the 3d day of January, unless they shall by law appoint a different day.

"Sec. 3. If, at the time fixed for the beginning of the term of the President, the President elect shall have died, the Vice President elect shall become President. If a President shall not have been chosen before the time fixed for the beginning of his term, or if the President elect shall have failed to qualify, then the Vice President elect shall act as President until a President shall have qualified; and the Congress may by law provide for the case wherein neither a President elect nor a Vice President elect shall have qualified, declaring who shall then act as President, or the manner in which one who is to act shall be selected, and such person shall act accordingly until a President or Vice President shall have qualified.

"Sec. 4. The Congress may by law provide for the case of the death of any of the persons from whom the House of Representatives may choose a President whenever the right of choice shall have devolved upon them, and for the case of the death of any of the persons from whom the Senate may choose a Vice President whenever the right of choice shall have devolved upon them.

"Sec. 5. Sections 1 and 2 shall take effect on the 15th day of October following the ratification of this article.

"Sec. 6. This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by the legislatures of three-fourths of the several States within seven years from the date of its submission."

Therefore be it

Resolved by the Legislature of the State of Wyoming:

SECTION 1. That the said above proposed amendment to the Constitution of the United States of America be, and the same is hereby, ratified by the Legislature of the State of Wyoming.

Sec. 2. That certified copies of this joint resolution be forwarded by the governor of this State to the Secretary of State at Washington, D. C., to the Presiding Officer of the United States Senate, and to the Speaker of the House of Representatives of the United States.

Approved this 20th day of January, A. D. 1933.

ROY H. CAMERON,  
President of the Senate.  
WM. M. JACK,  
Speaker of the House.

Approved 9.30 a. m., January 20, 1933.

LESLIE A. MILLER, Governor.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate a joint resolution of the Legislature of the State of Connecticut, protesting against reduction in the appropriations for the national defense, which was referred to the Committee on Appropriations. (See joint resolution printed in full when presented by Mr. BINGHAM on the 19th instant, p. 2070, CONGRESSIONAL RECORD.)

He also laid before the Senate a letter from Rev. Peter Heuel, of Burns, Oreg., transmitting a memorial in relation to the Piute Indians and the schooling of Indian children in the vicinity of Burns, Oreg., remonstrating against the treatment accorded such children, etc., which, with the accompanying papers, was referred to the Committee on Indian Affairs.

The VICE PRESIDENT also laid before the Senate a resolution adopted by the Lindbergh Airmail Society, of Springfield, Ill., indorsing a suggestion made by the Abraham Lincoln Council, Boy Scouts of America, for the issuance of a commemorative postage stamp on May 7, 1933, commemorating the one hundredth anniversary of the commissioning of Abraham Lincoln as postmaster at New Salem (now New Salem State Park), Ill., which was referred to the Committee on Post Offices and Post Roads.

He also laid before the Senate resolutions adopted by the Real Estate Board of Indianapolis, Ind., relative to speeches on the subject of branch banking delivered in the Senate

by the junior Senator from Louisiana [Mr. LONG], which were ordered to lie on the table.

Mr. SHIPSTEAD presented a concurrent resolution of the Legislature of the State of Minnesota, favoring the passage of legislation known as the Frazier farmers' farm relief bill, which was referred to the Committee on Agriculture and Forestry. (See concurrent resolution printed in full when laid before the Senate by the Vice President on the 19th instant, p. 2067, CONGRESSIONAL RECORD.)

Mr. KING presented the petition of Roy Lambert and sundry other citizens of Kamas, Utah, praying for the passage of legislation granting relief from the immediate burden of paying interest and principal installments on Federal farm mortgages, etc., which was referred to the Committee on Banking and Currency.

Mr. ROBINSON of Indiana presented a resolution adopted by the Mishawaka (Ind.) Culla Vayhinger Union of the Woman's Christian Union, protesting against the proposed repeal of the eighteenth amendment to the Constitution or the repeal or modification of the national prohibition law, which was ordered to lie on the table.

He also presented a memorial of sundry citizens of Midletown, Ind., remonstrating against the repeal or modification of the national prohibition law so as to permit the manufacture and sale of liquors with 4 per cent alcoholic content according to volume, which was ordered to lie on the table.

Mr. CAPPER presented resolutions adopted by the Young Women's Christian Association of Wakefield; the Ministers and Laymen's Association of the Independence Group of Churches, of Independence; and the Women's Christian Temperance Unions of Barclay, Barnard, Fredonia, Goodland, Highland, Independence, Larkensburg, Oakland, Norton, Paola, Smith Center, and Wakefield, all in the State of Kansas, favoring the passage of legislation to regulate and supervise the motion-picture industry, which were ordered to lie on the table.

He also presented memorials of sundry citizens of Edwardsville, Lebanon, Meriden, and Morland, all in the State of Kansas, remonstrating against the repeal of the eighteenth amendment of the Constitution or the repeal or modification of the national prohibition law, which were ordered to lie on the table.

He also presented resolutions adopted by citizens of Olathe assembled in the Presbyterian Church to celebrate the anniversary of the prohibition amendment to the Constitution; the Protestant Churches of Kinsley and the Women's Christian Temperance Union, assembled in union service for the purpose of observing the thirteenth anniversary of the national prohibition amendment to the Constitution; and the Women's Christian Temperance Unions of Clayton, Fredonia, LeRoy, Oakland, and Plainville, all in the State of Kansas, protesting against the repeal of the eighteenth amendment to the Constitution or the repeal or modification of the national prohibition law, which were ordered to lie on the table.

Mr. WALCOTT presented a paper in the nature of a petition from Y. D. Unit, No. 130, American Legion Auxiliary, of New Haven, Conn., praying for the creation of a veterans' committee of the Senate, and protesting against the making of reductions in appropriations for the Army and Navy, which was referred to the Committee on Appropriations.

He also presented memorials and papers in the nature of memorials from the executive committee of the American Legion, Department of Connecticut, assembled at Hartford; Carlson-Sjovall Post, No. 105, of Cromwell; and the Gray-Dickinson Post, No. 59, of Windsor, all of the American Legion; the Department Convention of the American Legion at Waterbury; Branch No. 20, of New London, and Branch No. 32, of Bridgeport, both of the Fleet Reserve Association; Eddy-Glover Unit, No. 6, of New Britain; Taftville Unit, No. 104, of Taftville; Robert O. Fletcher Auxiliary, Unit No. 4, of Norwich; Post No. 29, of Greenwich; Tomaloni-Hall Unit, No. 84, of Simsbury; Dilworth-Cornell Unit, No. 102, of Manchester; Hayes-Velhage Unit, No. 96, of

West Hartford; Unit No. 97, of Chester; Hanrahan Unit, No. 32, of Unionville; Seicheprey Post, No. 2, of Bristol; and the Second District, Department of Connecticut, all of the American Legion Auxiliary, all in the State of Connecticut, remonstrating against the making of reductions in appropriations for the Army and Navy, which were referred to the Committee on Appropriations.

He also presented the memorial of Robert C. Fletcher Post, No. 4, the American Legion, of Norwich, Conn., remonstrating against the making of any reductions in the allowances now enjoyed by disabled veterans, which was referred to the Committee on Finance.

He also presented petitions of sundry citizens of Hartford, East Hartford, Stamford, West Chester, New London, New Haven, South Coventry, Windsor, Manchester, and Groton, all in the State of Connecticut, praying for the passage of the so-called Hatfield-Keller bill, providing retirement pensions to railway workers, which were referred to the Committee on Interstate Commerce.

He also presented the petition of the Woman's Home Missionary Society of Kensington, Conn., praying for the passage of legislation to regulate the motion-picture industry, which was ordered to lie on the table.

He also presented the petition of the Woman's Home Missionary Society of Kensington, Conn., praying for the prompt ratification of the World Court protocols, which was ordered to lie on the table.

Mr. BROOKHART presented the memorials of Mrs. Raymond Hays and other citizens of Guthrie Center; Alfred Jacobsen and other citizens of Exira; and N. H. Olson and other citizens of Ute, all in the State of Iowa, remonstrating against the repeal or amendment of the national prohibition law so as to permit the manufacture and sale of beers or other liquors, which were ordered to lie on the table.

He also presented the following concurrent resolution of the Legislature of the State of Iowa, which was referred to the Committee on Banking and Currency:

**House Concurrent Resolution No. 4 (by Durant)**

Memorializing the President of the United States, the Congress, and the Federal Reserve Board of the United States, asking a moratorium on farm mortgages for at least one year, and to do all in their power, wherever possible, to furnish financial relief to farmers who have other than Federal loans coming due this year

Whereas the present unsatisfactory price of farm products is far below the cost of production; and

Whereas the American farmer should receive at least a fair remunerative price for his labors, particularly in this time of price depression: Now, therefore, be it

*Resolved by the house (the senate concurring),* That the General Assembly of Iowa respectfully requests and earnestly urges the President of the United States, the Congress, and the Federal Reserve Board of the United States, to exercise the authority and power granted them to obtain relief, as soon as possible, from the present distress of the American farmers; be it further

*Resolved,* That the secretary of state of the State of Iowa be instructed to send a copy of this resolution to the President of the United States, the Secretary of Agriculture, and to the chairman of the Federal Reserve Board of the United States, and to each Member of Congress from the State of Iowa.

JANUARY 17, 1933.

Rule 34 suspended. Resolution adopted.

LLOYD ELLIS, Chief Clerk.

Adopted January 19, 1933.

BYRON G. ALLEN,  
Secretary of the Senate.

Mr. WAGNER presented memorials signed by all members of the division of guards of the port of New York, N. Y., remonstrating against the continuance of the furlough provision of the economy act or further cuts in their compensation, which were ordered to lie on the table.

He also presented memorials, numerous signed, of sundry citizens of Rochester and vicinity, in the State of New York, remonstrating against proposed reductions in appropriations for and in the personnel of the Marine Corps, which were referred to the Committee on Appropriations.

**RECEIVERS IN BANKRUPTCY**

Mr. WAGNER. Mr. President, I ask to have printed in the RECORD and appropriately referred a resolution adopted

by the New York County Lawyers' Association at their meeting held January 12, 1933.

There being no objection, the resolution was referred to the Committee on the Judiciary and ordered to be printed in the RECORD, as follows:

Resolution adopted by the New York County Lawyers' Association at their meeting held January 12, 1933

Whereas the judges of the United States District Court for the Southern District of New York in January, 1929, inaugurated the practice of appointing a banking corporation, namely, the Irving Trust Co., as receiver in bankruptcy cases and equity proceedings, and subsequently adopted rules designating that corporation as the standing receiver in bankruptcy; and

Whereas the New York County Lawyers' Association believes that a corporation, which is an inanimate, artificial, and fictitious entity, without soul or conscience, is not an appropriate medium as the arm and conscience of the court for such appointment, or to act in any capacity as an "officer of the court"; and

Whereas this association believes that only natural persons, such as business men, lawyers, and other properly qualified individuals, should be intrusted with such functions; and

Whereas this association believes that there are numerous honest, competent, and conscientious business men, lawyers, and other persons who will be willing, ready, and able to act honestly and efficiently as receiver under appropriate bond, if appointed by the said United States district court judges; and

Whereas a careful examination and analysis of the report filed by the Irving Trust Co., dated November 30, 1932, shows this bank to be of no practical advantage to creditors over the administration by the creditors themselves under the bankruptcy law and no improvement for the public interest; and

Whereas this association believes that the practice of appointing one corporation (or any corporation in the place of natural persons) as receiver and trustee in equity and in bankruptcy is unfortunate and results in monopolistic power and in direct control over the bar by a corporation as well as over business, and should once and for all be wiped out and abolished; and

Whereas this association believes that a monopoly of any nature or character is wholly contrary to the best interests of this community and is abhorrent to the spirit of Anglo-Saxon institutions as well as intolerant to the genius and intent of the common law: Now be it

*Resolved,* That the New York County Lawyers' Association in this special meeting assembled, disapproves the practice and rules adopted by the judges of the United States District Court for the Southern District of New York under which Irving Trust Co., a corporation, has been designated as standing receiver in bankruptcy, and urges the abolition of said rules and practice; as well as the practice of appointing corporations as receivers and trustees in United States courts.

After the aforesaid resolutions were adopted by an overwhelming majority, the following resolution, in order to make the first resolutions effective, was also adopted:

*Resolved,* That the president of the association, Mr. Charles A. Boston, appoint a committee of nine members of this association whom he knows to be in favor of the resolutions just passed condemning the appointment of the Irving Trust Corporation as standing receiver for any purpose and the appointment of corporations as receivers or trustees in the United States courts. Said committee to cooperate with the special committee on United States courts and practices of the Federal Bar Association and such other committees of bar associations as may be appointed to take any and all steps necessary to have the practice of appointing corporations receivers and trustees in bankruptcy and equity abolished.

**MANUFACTURE AND SALE OF BEER**

Mr. DAVIS presented a letter from C. S. Longacre, general secretary American Temperance Society of Seventh-day Adventists, Takoma Park, Washington, D. C., which, with the accompanying petitions, was ordered to lie on the table, and the letter and one of the petitions were ordered to be printed in the RECORD, as follows:

**AMERICAN TEMPERANCE SOCIETY OF  
SEVENTH-DAY ADVENTISTS,**

Takoma Park, Washington, D. C., January 17, 1933.

The Hon. JAMES J. DAVIS,

Senate Office Building, Washington, D. C.

MY DEAR SENATOR: I am inclosing in this two petitions to Congress which have been sent in to the American Temperance Society with the request that we pass them on to you and ask that they be recorded in the CONGRESSIONAL RECORD and reported to the proper committee that has the question under consideration.

Thanking you for this courtesy, I am,

Respectfully yours,

C. S. LONGACRE.

To the honorable the Senate of the United States:

We, the citizens of Norristown, Pa., and community, in a mass meeting held January 7, 1933, do hereby petition your honorable body—

1. To enact no legislation changing the per cent of alcohol contained in legalized beverages as specified in the Volstead Act.

2. Not to enact the present beer bill, H. R. 13742.

3. Not to pass any act favoring the repeal of the eighteenth amendment.

The reasons we offer for said petition are:

a. Alcohol is a narcotic. It poisons the system, disqualifying the user for business; it paralyzes industries by unfitting the user thereof for the regular performance of work.

b. It impoverishes the families of the ordinary workmen, leaving in its wake sorrow, poverty, shame, and often complete ruin.

c. It endangers life. Twenty-six million automobiles and automobile trucks carrying millions of our people at high rates of speed make it imperative that only people should drive who do not use alcohol in any degree. What affects one driver seriously might not affect another, but the one affected is a menace to life and property.

Why should a great country like America stoop to raising revenue for the maintenance of its Government from the sale of alcoholic beverages, which have in their use all the elements of waste, crime, and death?

In the name of humanity, social justice, and the general welfare we beseech your honorable body not to give your support to this measure that would legalize the sale of intoxicating beverages.

MILES ROY COAN, *Chairman*.  
RUTH STERNER, *Clerk*.

(An identical petition, accompanying the letter from C. S. Longacre, was signed by Miles Roy Coan, chairman, and Emma Baumgartner, clerk.)

#### RAILWAY RATES ON POTATOES

Mr. SCHALL. Mr. President, the Union Pacific Railroad has granted reduced rates on potatoes to the Southwest States.

In the interest of the Minnesota potato growers, I asked the presidents of the Great Northern and the Northern Pacific Railway Cos. to do what they could to reduce rates on potatoes going over their roads to conform with reductions made by the Union Pacific Co.

I ask unanimous consent to print in the RECORD the replies of these presidents, and that they be appropriately referred.

There being no objection, the matter was referred to the Committee on Interstate Commerce and ordered to be printed in the RECORD, as follows:

GREAT NORTHERN RAILWAY CO.,  
New York City, N. Y., January 19, 1933.

Hon. THOMAS D. SCHALL,  
United States Senate, Washington, D. C.

DEAR SENATOR SCHALL: I find that my office in my absence in New York advised in answer to your wire that our traffic department in connection with other Minnesota and North Dakota lines have up with the southwestern lines the matter of their joining in similar reductions in potato rates to the South and Southwest as made by the Union Pacific from the Nebraska territory and that nothing will be left undone to bring this about.

We are at all times anxious to keep our territory on a parity with existing conditions in other territories, and I appreciate your calling it to my attention and assure you of our support and deep interest in bringing about the necessary relief.

Very truly yours,

W. P. KENNEY.

ST. PAUL, MINN., January 16, 1933.

Hon. THOMAS D. SCHALL,  
United States Senate:

Your message 14th. We have been in close touch with this movement for reduced rates on potatoes from Colorado and Nebraska, and at once on learning of proposed action by lines serving those States we took steps to bring about reductions in our rates so as to give North Dakota and Minnesota shippers benefit of rates matching those of their competitors in Nebraska and Colorado. In order to make these reduced rates effective, we must have concurrence of southwestern lines, and this concurrence we expect to get at meeting to be held in St. Louis Tuesday next. I assure you we are fully alive to the situation and will follow matter up energetically so as to protect our shippers.

CHARLES DONNELLY.

#### RELIEF OF AGRICULTURE

Mr. BARBOUR. Mr. President, I ask unanimous consent that there be printed in the RECORD and referred to the Committee on Agriculture and Forestry the statement which I hold in my hand dealing with the constitutional phases of the domestic-allotment plan. It was prepared by Mr. Arthur J. Edwards, of Montclair, N. J.

There being no objection, the statement was referred to the Committee on Agriculture and Forestry and ordered to be printed in the RECORD, as follows:

MEMORANDUM ON THE AUTHORITY OF CONGRESS TO ENACT H. R. 13991, "A BILL TO AID AGRICULTURE AND RELIEVE THE EXISTING NATIONAL ECONOMIC EMERGENCY"

#### I. INTRODUCTION

It is believed—

1. That the operations of the bill constitute in the very nature of their actions and effects the regulation both of the industry of agriculture and of manufacturing and that the regulation of agriculture and manufactures are fields reserved to the States and now asserted and exercised by them.

2. That the proposed offer of rewards to those producers who will restrict the acreage of land devoted to production of certain crops and the production of hogs within certain limits or specifications of policy proclaimed by the Federal Government constitutes arrangements for restriction in the production and supply of agricultural commodities which are declared by various of the States, notably New York State, to be against public policy, illegal, and void, and that such arrangements or agreements and the payment of bounty or reward to those who conform in the physical conduct of agriculture to such Federal specifications are invalid as to the Government as an exercise of authority in a field reserved to the States, by Amendment X to the Constitution, in which the Government has no power to act, and are invalid as to the producers themselves in many States as arrangements to restrict production against the declared public policy in such States.

3. That the power to levy and collect taxes and excises, conferred exclusively upon Congress, is unlawfully delegated by Congress to an administrative agency under circumstances, particularly in the case of taxes to be levied in 1934, which do not prescribe "any certain course of procedure and certain rules of decision," but due to the vagueness of the rule and the economic uncertainties involved, make the actual determination of the rate of taxation dependent upon the judgment and discretion of the Executive and not upon a standard of "almost mathematical certainty."

4. That the "emergency" and "imperative" urge to enact the bill do not confer upon Congress any additional power or authority to act in the matter which did not previously exist.

#### II. DISTINCTION BETWEEN INTERSTATE COMMERCE AND MANUFACTURING, AGRICULTURE, AND MINING

The Supreme Court, through a lengthy line of decisions, has established a clear demarcation between interstate commerce, on the one hand, which Congress has the authority to regulate, and manufacturing, agriculture, and mining, on the other hand, the power to regulate which is reserved to the States. In this long line of decisions we are not aware of a single decision, a single dissenting opinion, or a single dissenting paragraph against the broad assertion that these powers are so distributed. There are, of course, a multitude of decisions in which the classification of specific acts was brought in a question and the court was called upon to determine in which of these broad classifications it belongs, but on the general principle, there is no dissent.

This general distinction is forcibly stated by Mr. Justice Lamar in *Kidd v. Pearson* (1888—128 U. S. 1, 20):

"No distinction is more popular to the common mind or more clearly expressed in economic and political literature than that between manufactures and commerce. Manufacture is transformation—the fashioning of raw materials into a change of form for use. The functions of commerce are different, the buying and selling and transportation incidental thereto constitute commerce, and the regulation of commerce in the constitutional sense embraces the regulation at least of such transportation. \* \* \* If it be held that the term includes the regulation of all such manufactures as are intended to be the subject of commercial transfers in the future, it is impossible to deny that it would include all productive industries that contemplate the same thing. The result would be that Congress would be invested, to the exclusion of the States, with the power to regulate not only manufactures but also agriculture, horticulture, stock raising, domestic fisheries, mining—in short, every branch of human industry; for is there one of them that does not contemplate more or less clearly an interstate or foreign market? Does not the wheat grower of the Northwest and the cotton planter of the South plant, cultivate, and harvest his crop with an eye on the prices of Liverpool, New York, and Chicago? The power being vested in Congress and denied to the States, it would follow as an inevitable result that the duty would devolve on Congress to regulate all of these delicate, multifarious, and vital interests—interests which in their nature are and must be local in all the details of their successful management."

This case has been frequently cited with approval. It is one of the few cases in which agriculture is specifically mentioned. It establishes the fact that manufacturing is in the same category with respect to State regulation. Among the cases cited in support of the foregoing are: *Dobbins v. Commissioners*, 16 Pet. 435, municipal bonds; *Bradley v. Drexel Furniture Co.* (Child Labor Tax case), 269 U. S. 20; *Hammer v. Dagenhart* (1917), 247 U. S. 251, 272, 273, 275; *United Mine Workers of America*, 259 U. S. 408 (coal); *Oliver Mining Co. v. Lord*, 262 U. S. 172, 178 (iron ore); *United States v. Reading* (1912), 226 U. S. 324.

III. THE EFFECT WHICH THIS BILL WILL HAVE UPON THE PHYSICAL CONDUCT OF AGRICULTURE MAY BE TERMED "REGULATION," THOUGH IT IS NOT AT ALL NECESSARY THAT THAT PARTICULAR WORD BE USED AS DESCRIPTIVE OF THE FUNCTION EXERCISED, AS ANY PHRASE OF A COGNATE NATURE IS JUST AS APPLICABLE

Such as: "To establish a uniform rule regarding the conduct of," "to establish uniform laws on the subject of," "to make rules concerning and for the regulation of," "to exercise authority on the subject of."

A definition by the Supreme Court of Virginia expresses the concept of power which we have in mind, thus: "'Regulate.' It is comprehensive enough to cover the exercise of authority over the whole subject to be regulated." (113 Va. 292.) Chief Justice Taft expresses the comprehensive character of the word in the following language applied to commerce, which language is equally applicable to agriculture and to manufacturing by the substitution of these words for "commerce" in the following:

"To regulate in the sense intended is to foster, protect, and control the commerce with appropriate regard to the welfare of those who are immediately concerned, as well as the public at large, and to protect its growth and insure its safety." (Dayton-Goose Creek R. R. case (1924), 263 U. S. 456, 478.)

Other appropriate definitions will be found in *Gloucester Ferry Co. v. Pennsylvania* (1884), 114 U. S. 203; *Adair v. U. S.* (1908), 208 U. S. 161; 223 U. S. 1; *Gibbons v. Ogden*, 9 Wheat. 1, C. J. Marshall; *Trustee v. Crooks* "Future Trading Act," 269 U. S. 482; *Hill v. Wallace* (1922), 259 U. S. 44.

IV. EXACT NATURE OF THE CONTROL OF AGRICULTURE AND MANUFACTURING IN THE PROPOSED BILL CONSISTS, AMONG OTHER THINGS, OF THE FOLLOWING

The bill makes the following requirements of a regulatory nature directly affecting the conduct of agriculture and necessarily to be reflected visibly in such factors as acreage cultivated, character of crops to which particular tracts of land will be planted.

Specific provisions in the nature of regulatory control in the bill include:

Section 8. (a) (1) Only those producers entitled to "adjustment certificates" in 1933-34 marketing year whose "acreage of wheat, cotton, or tobacco of 1933 production is 20 per cent less than his average acreage."

(a) (2) Only those producers of hogs during initial marketing period are entitled to "adjustment certificates" whose "tonnage of hogs for market during such period is or will be 20 per cent less than his average tonnage."

(a) (3) Only those producers of hogs marketed during the 1933-34 year will be entitled to "adjustment certificates" whose "tonnage will be 20 per cent less than average and unless their acreage of corn of 1933 production is 20 per cent less than average acreage."

(a) (4) Only those producers of wheat, cotton, tobacco, or hogs during the 1934-35 marketing year, if the act is extended a year, will be entitled to receive "adjustment certificates" whose "acreage, in the case of wheat, cotton, or tobacco, or in the case of hogs, his acreage of corn, if any, and his tonnage of hogs has been reduced in such amount as the Secretary of Agriculture has found necessary in order to prevent abnormal surpluses or carry-overs in the country."

(a) (5) Only those producers will be entitled to receive "adjustment certificates" in respect of wheat, cotton, or tobacco in any case where reduction of acreage is required by this act, if the land representing such reduction is not utilized during the year for the production of any commodity of which, in the opinion of the Secretary, there is normally produced or is likely to be produced an exportable surplus.

(b) The Secretary shall by regulation provide in applicable circumstances with respect to crop rotation and changes in the amount of acreage under cultivation.

The mere statement of such regulatory measures shows that they are intended and will in the natural human response to the offer of a substantial reward for following a specified course of action, affect the conduct of agriculture by the great mass of farmers throughout the several States in accordance with federally determined policies as to what should and what should not be done.

#### V. CONTROL OF MANUFACTURING

Along the same lines, section 17 of the bill clearly amounts to a regulation of manufacturing in that the Secretary of Treasury and the Secretary of Agriculture are required to note whether "any class of products of any commodity is of such low value compared with the quantity of the commodity used for their manufacture that the imposition of the adjustment charge would prevent in whole or in large part the use of the commodity in the manufacture of such products and thereby substantially reduce consumption and increase the surplus of the commodity, then the Secretary of the Treasury may abate or refund the adjustment charge with respect to such amount of the commodity as is used in the manufacture of such products."

In other words, the Federal Government is to impose or abate taxes with the direct purpose of controlling manufacturing operations in the matter of what commodities they will process and what finished materials they will produce.

#### VI. REGULATION PROVEN BY THE FACTS

Regulation is proved by the existence of facts and the change in the progress of action and events in response to the regulatory stimuli or policy. Mr. Justice Brewer said in *Fairbanks v. United States* (181 U. S. 294): "In other words, that decision (referring to *Woodruff v. Parnham* (8 Wall. 123)) forms the great principle that what can not be done directly because of constitutional restrictions can not be accomplished indirectly by legislation which accomplishes the same result." Again, "A statute must be judged by its natural and reasonable effects," et seq. (*Hammer v. Dagenhart* (1917-247 U. S. 251-275.))

The facts of regulation must be recognized and appraised by their effects upon the action of producers and its results in statistical variations in the production of commodities. It matters not whether the results be obtained by governmental orders or fiat enforced by penalties or by a system of governmental rewards for compliance with certain governmental specifications in the matters affected which, in a realistic world, will inevitably result in the invited course of action by a great mass of the producers to whom the offer for reward is made in case of conformity. This series of offers of a reward, the response by way of action, viewed in its entirety, constitutes acts by the Federal Government in the regulation and control of agriculture or farming within the several States. Federal funds are to be paid as a bounty or reward—a reward is a sum of money or other compensation paid to the public generally or to a class of persons for the performance of a designated service (54 C. J. 776)—to those who by their actions conform to the Federal specifications as to the manner of cultivating their farms or arranging their hog production. Literally, Federal funds are proposed to be used to hire the right to exercise a Federal directory influence, in 1933 within specified limits, in 1934 without statutory limits, over a sufficient proportion of the producing acreage in the several States as to visibly and effectively limit or restrain the production of foods pursuant to the avowed mechanics of the bill.

Operating through response to conditional rewards does not make the regulatory operation the less effective or apparent "a statute must be judged by its natural and reasonable effect." (247 U. S. 251, 275, supra.)

We quote Mr. Justice Holmes's opinion in *Bailey v. Drexel Furniture Co.* (269 U. S. 20-39) and we insert two brackets to be commented on:

"So here the so-called tax (adjustment certificate) is a penalty (reward) to coerce people of a State to act as Congress wishes them to act in respect of a matter completely the business of a State government under the Federal Constitution." (*Bailey v. Drexel Furniture Co.*, 269 U. S. 20-39.)

As written without the insertion, the foregoing is an extract from the decision declaring the child labor tax law unconstitutional. Then substitute the words in brackets for the words respectively preceding, that is, "adjustment certificate" for "tax" and "reward" for "penalty." As thus altered, it creates no precedent, but does serve to illuminate or visualize the conception of the adjustment-plan arrangement and we believe fairly represents the congressional intention if the bill passes. We believe the sentence, as altered, fairly anticipates the view of the court as to its illegality. The fierce competitive force of commerce is as much a form of coercion as a tax.

#### VI. THE POWER TO REGULATE FOOD PRODUCTION IS ACTIVELY BEING ASSERTED AND EXERCISED BY THE STATES

The constitution of the State of Arkansas provides: "The general assembly shall pass such laws as will foster and aid the agricultural, mining, and manufacturing interests of the State." (Art. X, sec. 1.)

The constitution of the State of Oklahoma provides: "A board of agriculture \* \* \* shall have jurisdiction over all matters affecting animal industry." (Sec. 31.)

The farms and market law of the State of New York provides: "The production, manufacturing, marketing, storing, and distribution of foods \* \* \* are matters of public interest and proper subjects for \* \* \* regulation by the State." (Sec. 3.) "The department (of farms and markets) through the commissioner shall have power to: 19. Make such recommendations as in the judgment of the commissioner will stimulate and increase the production of food." (Suggesting a direct clash of policy as to whether the public policy of this State favors the stimulation of food production and the reduction of the cost of living, or the opposite policy with opposite economic results.)

The State of Mississippi, in the fall of 1930, passed a law which prohibited planting more than 60 per cent of land in cotton that was under cultivation the preceding year. The States of Texas and Arkansas passed similar laws, but none of them became effective because made conditional upon adoption of similar laws by a greater percentage of the cotton-growing States, which did not act. However, it was an effective gesture on the part of the legislature which had the power to impose their commands and regulations. Late in December, 1932, the Governors' South-Wide Conference on Cotton Control resolved to ask the governors of all the cotton-growing States to recommend to their respective legislatures the enactment of uniform cotton-control legislation. In the field of mining, also reserved to the States, the States of California, Oklahoma, and Texas have in late years passed effective laws regulating and controlling the production of petroleum.

Other States' statutes regulating agriculture are too numerous to mention here.

VII. THE POWER TO REGULATE OR IMPOSE FEDERAL GOVERNMENTAL POLICIES, DECISIONS, AND SPECIFICATIONS AS TO THE PHYSICAL WORKING CONDUCT OF FARMING AND HOG RAISING IS NOT CONFERRED UPON OR DELEGATED TO THE CONGRESS OR OTHER BRANCH OF THE GOVERNMENT BY ANY SPECIFIC PROVISION OF THE CONSTITUTION, AND LAWS TO BE ENACTED FOR SUCH PURPOSE ARE NOT NECESSARY AND PROPER FOR CARRYING OUT ANY OF THE OTHER POWERS VESTED IN THE FEDERAL GOVERNMENT. CONSEQUENTLY, THE POWER THUS BROADLY DESCRIBED IS ONE OF THOSE WHICH UNDER THE TENTH AMENDMENT TO THE CONSTITUTION IS "RESERVED TO THE STATES RESPECTIVELY OR TO THE PEOPLE."

The decisions in this matter are too numerous to quote in detail, but find one of their clearest statements in *Kidd v. Pearson* (128 U. S. 1, 20) quoted at length in Section II, supra, and in cases cited there. It will be noted that Justice Lamar's decision groups manufacturing, agriculture, horticulture, stock raising, and mining among the "delicate, multifarious, and vital interests—interests which in their nature are and must be local in all the details of their successful management." Thus grouped, decisions applicable to manufacturing, which are most numerous, are equally applicable to agriculture in the same classification.

A few cogent phrases may be picked from these decisions:

Chief Justice Marshall: "Invasion . . . matters purely local." (*Gibbons v. Ogden*, 9 Wheat. 1.) "Exerts power as to a purely local matter as to which the Federal authority does not extend." (Speaking of child-labor regulation in *Hammer v. Dagenhart*, 247 U. S. 251, 776.)

And Mr. Justice Holmes in his dissenting opinion in this case (p. 281): "The act does not meddle with anything belonging to the States. They may regulate their internal affairs and their domestic commerce as they like; but when they send their products across the State lines they are no longer within their rights." Both majority and minority opinions against Federal meddling with State affairs, but differing as to whether the particular act complained about was intrastate or interstate in legal character.

Also, "not to give it (Congress) authority to control the State in their exercise of the police powers over local trade and manufacture." (P. 273, supra.)

Also, *Hill v. Wallace* (1922—259 U. S. 44): "It was pointed out that in none of these cases (*Veazie Bank v. Fenno* and *McCray v. United States*) did the law object to show on its face, as did the child labor tax law, detailed regulation of a concern or business wholly within the police power of the State, with a heavy exaction to promote the efficacy of such regulation." Substitute the word "financing" for the word "efficacy" and the instant situation is accurately presented.

In the same case note reference to control of "any one of the great number of subjects of public interest jurisdiction of which the States never parted with, and which are reserved to them by the tenth amendment."

VIII. THE STATEMENT THAT FEDERAL PERSUASION EXERTED UPON A SUBSTANTIAL PERCENTAGE OF FARMERS, OR THE MASS ACTION IN RESPONSE TO OFFER OF FEDERAL REWARDS IN EACH STATE, WOULD PRODUCE CONSEQUENT RESULTS IN AFFAIRS OF THE STATES WITHOUT THEIR CONSENT, IS STRONGLY SUPPORTED

These effects will only be briefly suggested:

(a) Restriction of crop production and stock raising would be reflected in tax returns.

(b) The fact that only those lands are eligible for adjustment certificates which have previously been utilized and established a cultivation record, tends to limit new lands being brought into cultivation, hampers increase in taxable values, and limits immigration of inhabitants.

(c) The adjustment system "freezes" the type of cultivation selected since only those who pursue their old course are entitled to adjustments; it hinders the promotion of diversified farming, a prominent policy in many States, since it denies rewards to those who shift out of wheat into raising hogs or into dairy farming.

It is not essential to evaluate the importance of such interference or meddling with State affairs after definitely establishing the facts. In the child-labor case the court noted that the Government interfered as effectively in State affairs if it prevented an employer from employing one boy for one day as it did if it prevented him from employing 100 boys for 100 days.

#### IX. AGRICULTURE AND THE CONSTITUTIONAL CONVENTION

The fact that the Constitution does not delegate to Congress power with respect to the subject of agriculture was not the result of any lack of consideration of the subject when the Constitution was drafted. The minutes of the Constitutional Convention record that on August 18, 1787:

"The following additional powers proposed to be vested in the legislature having been submitted to the consideration of the convention. . . . It was moved to refer them to the committee to whom the proceedings of the convention were referred . . . as follows: . . .

"To establish public institutions, rewards, and immunities for the promotion of agriculture, commerce, trades, and manufactures."

Had the convention included this power in the final document, there would be affirmative authority for Congress to act on the present bill, at least on some of its aspects. But the minutes show no such action taken, and it was not included. And, among other cogent reasons, to make certain that none of these tentative suggestions were revived, the tenth amendment was adopted in 1791, providing: "The powers not delegated to the United

States by this Constitution, nor prohibited by it to the States, are reserved to the States respectively or to the people."

#### X. RESTRICTION IN FOOD SUPPLY AGAINST PUBLIC POLICY IN THE STATE OF NEW YORK

The general business law of the State of New York provides, omitting phrases not pertinent to this discussion:

"Sec. 22. Every contract, agreement, or arrangement whereby in the production in this State of any commodity of common use (including, of course, foodstuffs) . . . or whereby competition in this State in the supply of any such commodity is or may be restrained, the free pursuit in this State of any lawful occupation is or may be restricted, is hereby declared to be against public policy, illegal, and void."

If the Federal Government is without authority to regulate production of food in New York—that is, if it does not "have concurrent power to enforce" regulation (power granted, we believe, only in the eighteenth amendment)—and the State is right in asserting that power (sec. 6, supra), then the Federal Government in offering a reward for food restriction in New York is acting ultra vires. As a party to such arrangement, it has no better standing than any other violator of the terms of this law. And when the offer is made simultaneously to all the producers in the State who care to qualify and accept, the multiple series of offers and responsive claims for rewards becomes, when viewed as a whole, an arrangement in restraint of food supply and as such invalid.

"An arrangement for the prevention of competition in trade . . . means any disposition of measures for accomplishment of that purpose." (120 N. Y. S. Supp. 443.)

The capacity of the United States to make such arrangements or agreements appears upon a parity with its capacity to otherwise contract, and of this Justice Story says:

"We are of the opinion that the United States have such a capacity to enter into contracts. It is, in our opinion, an incident to the general right of sovereignty; and the United States, being a body politic, may within the sphere of constitutional powers confided to it and through the instrumentality to which those powers are confided enter into contracts not prohibited by law and appropriate to the just exercise of those powers." (*U. S. v. Tingley*, 30 U. S. 115, 127.)

From like consideration the New York producer who pursues his normal course of cultivation of his farm and who has scruples opposed to the acceptance of a Federal subsidy against the declared public policy of his State, with possibility of severe penalties for violation, will find himself restricted in the free pursuit of his lawful occupation and tremendously handicapped competitively, due to the ability of other neighboring farmers competing with him for markets, whose income is supplemented by Government bounties, to undersell him and still make greater aggregate profits than he does.

"While public policy demands a healthy competition, it abhors favoritism, secret rebates, and unfair dealings and commends the conduct of business in such a way as to serve all consumers alike." (175 N. Y. 1, 62 L. R. A. 632.)

#### XI. THE POWER TO TAX

As Chief Justice White said: "That the authority conferred upon Congress by section 8 of Article I, 'to lay and collect taxes, duties, imports, and excises' is exhaustive and embraces every conceivable power of taxation has never been questioned, or if it has, has been so often authoritatively declared as to render it necessary only to state the doctrine." (*Brushaber v. Union Pacific R. R.*, 240 U. S. 1.)

While the bill levies an "adjustment charge," it is obviously a tax or excise, though with what differences we are left to speculate. There are available only limited objections or defenses against high or oppressive taxation if they are straight taxes for "raising revenue" which by the way might well be added to the title of the bill, since it has the singular distinction of levying the most tremendous new annual tax ever conceived of by a legislative body in a single expropriation or taxing measure anywhere any time in the world's history, excepting the war income tax effective in 1918 and the war excess-profits tax laws.

But taxes must be for revenue, not for the purpose of attaining other and unlawful objectives. This, the adjustment charge or tax on the first processing of silk or rayon (sec. 10(c)), may well be held invalid since its avowed purpose is not to raise revenue but "to protect the processors of cotton against disadvantages in competition." This is clearly a tax for the purpose of regulating manufactures, a function of the State police power.

"Many causes may cooperate to give one State, by reason of local laws or conditions, an economic advantage over another. The commerce clause was not intended to give Congress a general authority to equalize such conditions." (*Hammer v. Dagenhart*, 247 U. S. 251, 273.) With equal force it may be urged that the taxing power was not given Congress to equalize such conditions as between fabric manufacturers using different raw materials.

To like effect was the relatively recent decision in the *Bailey v. Drexel Furniture Co.* (1922—259 U. S. 20), which held the child labor tax law unconstitutional on the ground that it was a penalty rather than a tax and an attempt to interfere with powers reserved to the States under the tenth amendment. If in place of "penalty" we read "regulation of manufacturing," the reasoning appears consistent.

Further, if commodities are subdivided on "regional classifications" as authorized in section 22, then the complicated formula for determining the "adjustment charge" will almost certainly

produce a different tax rate in different regions, which taxes would be invalid because not "uniform throughout the United States"—that is, territorial uniformity. (*La Belle v. U. S.* (1920—256 U. S. 377.)

The main taxation question may well be left for further consideration and to analysis by those whose property interests are threatened with an immensity of taxation which exemplifies that the "power to tax is the power to destroy," and which perhaps may be levied on them while other competing industries are exempt from the charge. It must be emphasized that the charge is paid in all cases out of their business resources, and whether it can be recouped by adding to the sales prices and passed on to the public is a problem with which the law is not concerned. Processors of wheat are to be taxed, and of rye and barley exempt; of hogs to be taxed, but of beef and mutton exempt; processors of cotton, silk, and rayon to be taxed, and of flax for linens untaxed.

It may be pointed out, however, that these three commodities are not "outlaws of commerce" (argument for the appellant, 247 U. S. 25) and that there is not "tendency of the articles to deceive the public" (as stated of uncolored oleomargarine in *McCray v. U. S.* 195 U. S. 27) and, therefore, should be protected against "the violation of those fundamental rights which it is the duty of every free government to safeguard." (*McCray v. U. S.*, supra, p. 62.)

The illegality of taxation is difficult to establish, but those who will oppose the tax may hope that theirs is the case the Supreme Court indicated it would wait for, when it remarked:

"If a case shall ever arise where an arbitrary and confiscatory exaction is imposed bearing the guise of a progressive or other form of tax, it will be time enough to consider \* \* \*." (*Knowlton v. Moore*, 178 U. S. 41, 109.)

#### XII. POWER OF CONGRESS TO DELEGATE THE TAXING POWER

The Constitution gives Congress the exclusive power to levy and collect taxes and excises. But in practice, the Supreme Court has upheld laws in which the authority is delegated, but the occasions have been mostly where the power was delegated "to fill in the blanks" and as Chief Justice Taft said, "in delegating legislative powers to an executive or administrative agency, Congress must prescribe a 'certain course of procedure and certain rules of decision' (257 U. S. 25) in order to prevent a delegation from being unconstitutional as a pure 'delegation of legislative power.'"

We do not believe the authority given the Secretary of Agriculture in section 10 to fix the amount of the adjustment charge to be levied and collected, and to change the amount thereof from time to time (sec. 9 (b)) possesses those elements of mathematical certainty which brings it within this rule, and if, as we believe, will be shown, the tax levy must depend to a great extent upon the discretionary decisions of the Secretary, then the delegation is unlawful.

#### XIII. MATHEMATICS OF THE ADJUSTMENT CHARGE

Stated mathematically, the various relationships necessary to be established in the computation by the Secretary of Agriculture of the amount of the adjustment fee to be levied and collected per commodity unit, omitting minor corrections for deduction of 2½ per cent expense allowance, etc., appear to be as follows:

FAIR EXCHANGE VALUE	LOCAL MARKET PRICE 1909-1914
Price of all commodities currently bought by producers.	Price of all commodities bought by producers, 1909-1914.
Fair exchange allowance.	Fair exchange value minus local market price.
Adjustment charge (per unit).	Fair exchange allowance (per unit).
Adjustment certificate face value.	Domestic percentage of average crop (units) times fair exchange.

In the first equation the "price of all commodities bought by producers" is indefinite because it does not describe the commodities, state whether seed and breeding hogs are to be included, or how much relative weight is to be attached to different articles purchased. Possibly the reference to Department of Agriculture index numbers (sec. 9-c) may be sufficient to save this.

However, when in 1934 the Secretary undertakes to determine the amount of reduction to specify as "necessary in order to prevent abnormal surpluses or carry-overs," complications pile up. The prevention of abnormal surpluses is an absolute essential. This means nothing legally. It is on a par with "fair and reasonable prices" and "excessive prices," which the Supreme Court, in declaring the Lever Food Control Act unconstitutional (*U. S. v. Cohen Grocery Co.*, 225 U. S. 89), held "did not fix an ascertainable standard of guilt."

His task that year in figuring the percentage of crop to be raised according to his specifications is somewhat as follows:

1934 crop to be arranged for plus carry-over from 1933	Domestic percentage of normal crop
	Plus estimated excess production by those receiving and those not receiving adjustments
	Minus exports
	Plus a not abnormal surplus or carry-over.

The whole equation is designed to come out correct as to the last item which is to be left over, and, since this can not be determined by any legally ascertainable standard, the mathematical determination of the "domestic percentage" is rendered uncertain.

Now, the Secretary is to tax certain people, deprive them of property by due process of law, so this train of investigation takes on importance. A billion dollars of taxes can not be levied on his sincerest guess. A taxpayer is entitled to be shown the "rules of decision" by which it is arrived at.

The economic postulate of the bill is that if the production is reduced according to formula and abnormal surpluses or carry-overs eliminated, then the inequalities of price between the price of any such commodity and other commodities "are likely to be corrected." (Sec. 28.)

The Secretary has the discretion and duty in 1934 (sec. 8 (a) (4)) to reduce percentage of production "in such amount as he has found necessary in order to prevent abnormal surpluses or carry-overs." If he fulfills this duty, then the price-depressing factor is removed and prices are presumed to ascend to the desired parity level, and no necessity will longer exist for making payment of any fair exchange allowance and immediately the necessity for levy of the adjustment charge ceases. But obviously, if the fair exchange allowances terminate, human nature is such that excessive production will start again to undermine the price structure. So, instead of operating under any course of procedure or rules of decision contained in the law delegating the power to fix and levy the tax, the Secretary is in the final analysis required to determine in cents per unit the amount of bounty which will bring responsive restrictions of production to a point where prices will be so readjusted that the continued payment of the bounty producing such responses will no longer be needed. Reason tells us that there is no such figure.

Therefore, it appears that Congress is without power to delegate its all-powerful taxing prerogatives to the Secretary of Agriculture with any such metaphysical control upon the amount of dollars and cents which are to be filled in in the blank tax draft it is handing him.

#### XIV. CONCERNING BOUNTIES

Since I do not regard the payments to be made under the act as pure bounties, but rather as regulatory inducements, the impelling and coercive motive in the matter of regulation, I have discussed them in preceding sections as such.

#### XV. DOES THE EXISTENCE OF AN EMERGENCY ENLARGE THE POWERS OF CONGRESS

This is a bill to enact the "national emergency agricultural act." An emergency is a combination of circumstances which calls for immediate action or remedy; pressing necessity is a characteristic of it. There is no provision in the Constitution giving power to Congress to declare an emergency or stating its duty under such circumstances.

In 1904 Mr. Justice Holmes wrote, the doctrine being equally as applicable to the Federal Government as to a State:

"The declaration of the Constitution against the power of a State is paramount, not to be \* \* \* bent to some impulse or emergency, because of some accident or immediate or overwhelming interest which appeals to the feelings and distorts the judgment." (193 U. S. 400, dissenting opinion.)

In *Block v. Hirsch* (256 U. S. 135), involving the legality of the postwar District of Columbia rent law passed by Congress, the court divided five to four in upholding the law. Both majority and minority opinions agreed that the existence of an emergency did not give Congress or the Federal Government any additional powers, but might justify a broader judgment in whether the power exercised was one of those existing before. The majority opinion included "Assuming that the end in view otherwise justified the means adopted by Congress we have no concern, of course, with the question whether those means were the wisest, whether they will not cost more than they come to or will affect the result desired." And the minority: "But we must keep in mind that the Constitution is, as we have shown, a restraint upon government purposely proved and declared upon consideration of all the consequences of what it prohibits and permits, makes the restraint upon government the rights of the governed" (p. 160).

The only effect an emergency has is the common-sense call upon Congress for immediate action or remedy, and such action or remedy must be in accord with the preexisting powers and does not operate as an automatic renewal of constitutional limitations. An emergency will justify the use of unusual expedients, but will not set up or support any rule of taxation not squaring with the written powers or remove the safeguards to property contained in the Constitution.

The declaration in section 2 (a) of this bill that the depression in price of agricultural commodities, unsettled world conditions, and inequalities in price "have affected transactions in commodities with a national public interest \* \* \* that render imperative the enactment of this act" does not carry conviction. It must be considered as merely a rhetorical declaration by Congress that intrastate production of and commerce in commodities, both matters for the States to deal with and regulate, have assumed a national interest as well, and infers that because no constitutional method of remedying this situation has been proposed and strongly supported, this bill must be adopted as the only one available. This only declares an emergency in other language, and the only response such a situation can call for is

prompt search and thought by Congress for an effective remedy within its powers. Congress by assertion can not create or delegate new powers to itself. The farm emergency insistently calls for a "new deal" but with the old, time-tested constitutional deck. If any new cards are to be added to the deck it must only be "when ratified by three-fourths of the several States."

#### XVI. "CONGRESS, THE CONSTITUTION, AND THE SUPREME COURT"

See Mr. Charles Warren's book with the above title, chapter 9, "Decisions of the court holding acts of Congress unconstitutional" for a list of the 53 cases decided between the beginning of the Government until 1925, with comment as to the reasons in each case why the Supreme Court felt constrained to find that Congress had acted in excess of its powers. The cases relating to the regulation of manufacturing in the same classification with agriculture have been referred to above.

#### XVII. CAN THE CONSTITUTIONALITY OF THE PROPOSED ACT BE READILY TESTED

It has been confidently asserted that the constitutionality of this act can not be readily tested. This is not so. It might be impossible to suspend its operation, but the ready model is at hand for the prompt test based upon procedure in *Bailey v. Drexel Furniture Co.*, supra. Here the tax, after assessment, was paid under protest and suit immediately commenced to test the legality of the tax and recover payment. The law was found invalid and tax repaid.

#### XVIII. THE NATION'S PREDICAMENT WHILE THE COURT SITS

But during the several months in which the legality of the exercise of the taxing power as a means of financing regulation of agriculture is being tested, and appeal being taken to the highest court, it is hardly probable that operation of the law will be suspended, because no one would be able to put up surety bonds to guarantee the prevailing parties against intermediate loss. Probably the producers who desire to receive adjustment certificates will have adapted their agricultural operations to the specifications of the law (sec. 8). The Secretary will have issued adjustment certificates to those eligible (sec. 6). These certificates will be "obligations of the United States" (sec. 25 (b)) transferable upon delivery (sec. 7), issued in two parts, one of which will be redeemable at the Treasury one month after date and the other redeemable in seven months.

(And will the Treasury Department be handing out Government obligations, transferable upon delivery to a total of perhaps a billion dollars a year, through volunteer cooperative associates or will the careful procedure by which other money is parted with by the Treasury through numerous skilled and bonded agents be continued?) At least a year's allotment of certificates will be in circulation before any restraining action would be effective since speed is of the essence of the contract in getting these in circulation. If, as appears probable, the court finds that the processors' charges have been illegally levied and collected, and orders refund of those paid under protest and of those similarly situated as to payment, then such refunds will need to be made from the general funds of the Treasury since prompt presentation of the adjustment certificates will have checked out all the charges collected. (The Treasury is always unbalanced under the action of the proposed act, receipts come in monthly from the beginning, while one-half the total is paid out in about a month and the other half at the end of seven months, necessitating temporary financing in the meantime.) On the other hand, the adjustment certificates, transferable and passing from hand to hand by delivery carry the promise to pay of the United States regardless of the validity of the taxes hoped and planned to be collected to pay them. It is doubtful, in view of the form of the certificates, whether their payment would be questioned. Should that be done, however, their payment appears assured under the sugar bounty cases as:

"Claims in these (sugar bounty) cases are of a nature which that body (Congress) might rightfully decide to constitute as debt payable by the United States upon considerations of justice and honor." (*U. S. v. Realty Co.*, 163 U. S. 427, 444.)

(The Supreme Court, by the way, refused to pass upon the question of whether payment of sugar bounties by the United States was valid or invalid, holding it not necessary to the settlement of these cases.)

Under this prognosis of the action of the bill the producer appears likely to have his adjustment certificates paid "for keeps," the processor likely to have his adjustment charges refunded, the Secretary of the Treasury likely to have to look to Congress for the balancing of a billion-dollar deficit, either by borrowing or general taxes. Mr. and Mrs. and Master and Miss John W. Citizen, 100 per cent of the population of the country, who have paid once for the plan by a heightened price for food and clothes, and who will have to pay a second time to balance the Treasury deficit, appear to be the interested parties whose prospects entitle them to attention as the "forgotten man" and family who will have to foot the bill in the end. Their prospect is as much a tragedy as that which would occur to the farming population should Congress pass a farm relief bill of this broad reassuring character, and they then suffer the pangs of a disappointed millennium should the judicial branch find and decide that the relief proposed was wholly beyond the constitutional powers of Congress to promise.

#### XIX. "WITHSTAND BEGINNINGS"

The events of the past month show clearly the character of political pressure which will be brought to extend the operations of this plan once it be adopted. In addition to the four commodities originally named in the bill (sec. 2 (c)) as the "control-

ling factor in establishing prices for other domestic agricultural commodities," rice now has strong support, almost a promise, for fourth place, and dairy products—butterfat—is demanding admittance to the sixth place at the table. The original proposal of the President elect for a "tariff benefit" on wheat, understood to mean 42 cents a bushel, has now grown in this short period to a parity charge variously estimated at 56 cents to 60 cents. The 1-year emergency plan must inevitably be extended to two years under the mandatory conditions imposed upon the President (sec. 28). If agriculture habituates itself and adapts its mode of life to this type of governmental rewards, the demands of its proponents are in all probability likely to secure expansion in the number of benefited commodities (why not industries also?), amount of benefits per unit, and term of benefits. One of its enthusiastic proponents said in debate this week, "This is only a beginning."

This suggests a concluding text from the Supreme Court itself: "And against the first steps to it this court has warned, expressing a maxim of experience, 'withstand beginnings.'" (*Boyd v. U. S.*, 116 U. S. 616, 633.)

Respectfully submitted.

ARTHUR J. EDWARDS.

MONTCLAIR, N. J., January 7, 1933.

#### CHANGE OF REFERENCE

Mr. HALE. Mr. President, certain papers relating to unemployment were sent to the Senate by the Unemployed Councils of the United States of America and were referred to the Committee on Appropriations. I ask that the Committee on Appropriations be discharged from the further consideration of the papers and that they be referred to the Committee on Manufactures.

The VICE PRESIDENT. Without objection, it is so ordered.

#### TAXATION OF NONINTOXICATING LIQUOR

Mr. BLAINE. I report back from the Committee on the Judiciary the bill (H. R. 13742) to provide revenue by the taxation of certain nonintoxicating liquors, and for other purposes, with an amendment in the nature of a substitute, and I submit a report (No. 1105) thereon.

Mr. HARRISON. I thought it was the understanding that when the Judiciary Committee had finished its consideration of this measure, it would then be referred to the Committee on Finance to study the revenue features. I therefore ask that the report be sent to the Committee on Finance.

The VICE PRESIDENT. Without objection, the report will be referred to the Committee on Finance.

Mr. BORAH. I offer an amendment to the so-called beer bill and ask that it be referred to the Committee on Finance.

The VICE PRESIDENT. The amendment will be referred to the Committee on Finance.

#### RESOLUTIONS REPORTED BY THE FINANCE COMMITTEE

Mr. SMOOT, from the Committee on Finance, to which was referred the resolution (S. Res. 315) providing for an investigation and study of the present economic problems of the United States, reported it with an amendment.

Mr. COSTIGAN, from the Committee on Finance, to which was referred the resolution (S. Res. 325) calling for a report from the Tariff Commission of relative imports of certain commodities for designated years, and for certain other information concerning imports and exports, reported it with amendments and submitted a report (No. 1106) thereon.

He also, from the same committee, to which was referred the resolution (S. Res. 334) calling for an analysis of the import and export trade with certain foreign countries, and for other information concerning tariff problems, reported it without amendment and submitted a report (No. 1107) thereon.

#### BILLS AND JOINT RESOLUTION INTRODUCED

Bills and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. DILL:

A bill (S. 5486) authorizing The Dalles Bridge Co., its successors and assigns, to construct, maintain, and operate a bridge across the Columbia River at a point approximately 5 miles upstream from the city of The Dalles, in the State of Oregon, to a point on the opposite shore in the State of Washington; to the Committee on Commerce.

By Mr. KING:

A bill (S. 5487) to amend certain sections and to repeal certain other sections in title 25 of the Code of the Laws of the United States; to the Committee on Indian Affairs.

By Mr. BARKLEY:

A bill (S. 5488) for the relief of Horace C. Romans; to the Committee on Military Affairs.

By Mr. SHORTRIDGE:

A bill (S. 5489) for the relief of Wilson G. Bingham; to the Committee on Military Affairs.

A bill (S. 5490) authorizing the appointment and retirement of Constantine N. Perkins as a lieutenant in the United States Navy; to the Committee on Naval Affairs.

By Mr. HALE:

A bill (S. 5491) granting an increase of pension to Mary M. Joy (with accompanying papers); to the Committee on Pensions.

By Mr. CAPPER:

A bill (S. 5492) granting a pension to William Edward Fugatt (with accompanying papers); to the Committee on Pensions.

By Mr. SHIPSTEAD:

A joint resolution (S. J. Res. 238) relating to leave with pay for employees of the Government Printing Office; to the Committee on Printing.

#### SICK LEAVE TO EMPLOYEES OF THE GOVERNMENT PRINTING OFFICE

Mr. SHIPSTEAD. I introduce a bill granting sick leave to employees of the Government Printing Office, which I ask may be referred to the Committee on Printing and published in the RECORD.

It seems almost beyond belief that Government Printing Office employees, whose occupation is the most unhealthy in all Government service, receive no sick leave whatsoever.

Many occupational diseases, among which tuberculosis looms largely, are not recognized by the Government as entitling disabled employees to compensation. In fact, tuberculosis is so prevalent among workers in the various printing crafts that they maintain at their own expense two of the largest tubercular sanitariums in the world—Union Printers' Home, Colorado Springs, Colo., and Pressmen's Home, Pressmen's Home, Tenn. They have spent over \$50,000,000 to combat this disease alone.

The Public Printer in his annual report for 1932 recommends that a uniform sick leave law should be enacted for the entire Government service to the end that the gross discrimination against Government Printing Office employees be ended.

Granting sick leave is an almost universal practice in the Federal service and is declared for in section 213 of the economy act for the fiscal year 1933.

The bill (S. 5493) granting sick leave to employees of the Government Printing Office was read twice by its title, referred to the Committee on Printing, and ordered to be printed in the RECORD, as follows:

Whereas under the provisions of existing law all annual leave has been suspended; and

Whereas employees of the Government Printing Office do not now and never have received sick leave with pay; and

Whereas the practice in other Government departments has been to grant sick leave with pay at the rate of two and one-half working days per month; and

Whereas section 215 of Title II of Part II of the act entitled "An act making appropriations for the legislative branch of the Government for the fiscal year ending June 30, 1933, and for other purposes" (economy act), declares for uniformity of sick leave in the various executive departments and independent establishments of the Government; and

Whereas the annual report of the Public Printer, 1932, recommends that a uniform sick leave law should be enacted for the entire Government service to end the gross discrimination against employees of the Government Printing Office: Therefore

*Be it enacted, etc.,* That the Public Printer be, and he is hereby, authorized and directed to grant sick leave with pay, not to exceed two and one-half working days per month, to all employees of the Government Printing Office.

SEC. 2. The Public Printer shall prepare regulations providing for uniform sick leave with pay in the Government Printing Office in accordance with this act and submit same to the Joint Committee on Printing for their approval.

SEC. 3. This act shall become effective immediately upon its passage.

#### TAXATION OF NONINTOXICATING LIQUOR—AMENDMENT

Mr. BORAH submitted an amendment intended to be proposed by him to the bill (H. R. 13742) to provide revenue by the taxation of certain nonintoxicating liquors, and for other purposes, which was referred to the Committee on Finance and ordered to be printed.

#### AMENDMENT TO BANKING BILL

Mr. KEAN submitted an amendment intended to be proposed by him to the bill (S. 4412) to provide for the safer and more effective use of the assets of Federal reserve banks and of national banking associations, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes, which was ordered to lie on the table and to be printed, as follows:

On page 2, line 23, to strike out the words "a majority of the members of its executive committee or."

#### AMENDMENT TO TREASURY AND POST OFFICE DEPARTMENTS APPROPRIATION BILL

Mr. HEBERT submitted an amendment intended to be proposed by him to House bill 13520, the Treasury and Post Office Departments appropriation bill, which was ordered to lie on the table and to be printed, as follows:

On page 79, beginning with line 18, to strike out through line 8, on page 82, and in lieu thereof to insert the following:

"Sec. 16. Interest shall be allowed and paid upon any overpayment in respect of any internal-revenue tax for any period prior to July 1, 1932, in accordance with the provisions of section 614 of the revenue act of 1928; and for any period after June 30, 1932, shall be allowed and paid in accordance with the provisions of section 319 of Part II of the legislative appropriation act, fiscal year 1933, approved June 30, 1932."

#### AMENDMENT TO AGRICULTURAL DEPARTMENT APPROPRIATION BILL

Mr. SHIPSTEAD submitted an amendment intended to be proposed by him to House bill 13872, the Agricultural Department appropriation bill, which was referred to the Committee on Appropriations and ordered to be printed, as follows:

At the proper place in the bill, to insert the following:

"All appropriations provided by section 2 of the Reconstruction Finance Corporation act, approved January 22, 1932, and continued in effect by virtue of section 205, paragraph (b) of the emergency relief and construction act of 1932, and by the provisions of this resolution shall be transferred by the Reconstruction Finance Corporation to the Treasury, to be thereafter warranted to, and expended by, the Secretary of Agriculture, for the purposes defined in those acts, subject to the provisions of the Budget and Accounting Act of 1921; and the Secretary of Agriculture shall turn over to the Comptroller General all vouchers, pay rolls, records, and relevant correspondence relating to expenditure heretofore made, as may be required by the provisions of said Budget and Accounting Act of 1921, and shall, within 15 days from the date of approval of this act, direct all disbursing officers to conform with all regulations and instructions applicable to their duties theretofore or thereafter issued by the Comptroller General. All provisions of law contrary to this act are hereby repealed."

Mr. SHIPSTEAD. Mr. President, this amendment proposes that the funds expended by the Secretary of Agriculture, from Reconstruction Finance Corporation appropriations allocated to him, shall be subject to the provisions of law governing expenditures by all permanent branches of the Government. The device of assigning Reconstruction Finance Corporation funds to the Secretary of Agriculture, with all the Reconstruction Finance Corporation immunity from adequate accounting control by competent agencies or government, may have been excusable in the emergency one year ago; but there is no reason for it now. It is a grave breach of the principle of unity of accounts, and a dangerous precedent for future grants of special immunity from the control exercised properly by the Comptroller General.

The Secretary of Agriculture should not be exposed to the equivocal rôle of viewing himself as a Cabinet officer responsible to all the laws, including the Budget and accounting act of 1921, when he spends some of the funds assigned to him by Congress, and as a "statutory agent," whatever that is, when he spends other funds assigned by Congress for nearly identical purposes, with no responsibility to the Comptroller General of the Republic for the conformity of his rules with those laid down by the latter official. Hun-

dreds of millions of dollars are involved in these crop-production loan appropriations all told; and until Congress recognizes the realities, and creates in the Department of Agriculture one organically sound and competent administration of agricultural loans, with responsible commissioners, based upon the unification of all outstanding forms and types of credit extended to those engaged in agricultural activities, the only prudent course is to assure sound and lawful management of these appropriations by putting them exclusively under the Secretary of Agriculture, placed in the Treasury to his credit, entirely out of the no man's land of Reconstruction Finance Corporation quasi-private, quasi-public, irresponsible lending and accounting policies, and making them definitely subject to the control of the Comptroller General.

#### POSITIONS NOT UNDER THE CIVIL SERVICE

Mr. ASHURST. Mr. President, I presume every Senator is this morning in receipt of a copy of Document No. 173, printed in accordance with Senate Resolution 303, giving a list of positions not under the civil service. If Senators will withhold their risibilities, I shall say it is obvious that two copies of this document for each Senator are wholly insufficient. I already have requests for at least 150 copies. The type at the Printing Office is already set up and will not be melted or "thrown in" for some time. I should like to ask the chairman of the Joint Committee on Printing if his committee will consider the printing of an additional number of copies of this document.

The VICE PRESIDENT. The chairman of the Joint Committee on Printing is not present at the moment.

Mr. FLETCHER. Mr. President, may I say to the Senator from Arizona that under the law the Joint Committee on Printing can only order reprints up to a cost of \$200 and that would not go very far with this document; but they have that privilege, and I suppose that could be arranged.

I am informed that copies of this document can be had from the Public Printer at a cost of 40 cents per copy. When these numerous inquiries come in, why not inform our constituents that they can obtain the desired copies by paying the Public Printer 40 cents?

Mr. ASHURST. That is a satisfactory answer. I know of several thousand gentlemen who will be glad to pay 40 cents for a copy of the document. Therefore when my constituents write to me for this document, I shall try to send them a copy of the CONGRESSIONAL RECORD of to-day's proceedings containing the remarks of the senior Senator from Florida, and shall refer them to the Public Printer, from whom a copy of the document may be purchased.

Mr. HASTINGS. Mr. President, it seems to me it is an unusual hardship to inflict upon so many people of the Nation, just at this time, to compel them to pay 40 cents for an opportunity to look to see what kind of a job they want. I think that is a good deal of an outrage. I believe the Government ought to furnish the document; it ought to furnish the Senator as many copies as he may desire.

Mr. ASHURST. Mr. President, in reply to the genial and temperate irony of my esteemed and learned friend, I shall say he need not worry, for not one of his constituents will trouble him about 40 cents, and I hope he will lend me his copy of the document.

Mr. HASTINGS. I shall be willing to loan it to him for a period of four years only.

Mr. THOMAS of Oklahoma. Mr. President—

The VICE PRESIDENT. Does the Senator from Arizona yield to the Senator from Oklahoma?

Mr. ASHURST. I yield.

Mr. THOMAS of Oklahoma. Would the Senator from Arizona be willing to have the Reconstruction Finance Corporation law so amended that people might borrow 40 cents with which to obtain a copy of this document?

Mr. ASHURST. There can be no hope of borrowing even 40 cents from the Reconstruction Finance Corporation. That has been the experience of Arizona citizens. It is a corporation apparently organized to prevent the lending of money instead of granting loans of money.

When the Reconstruction Finance Corporation bill was before the Senate, I submitted an amendment to provide that citizens with approved security as well as banks might borrow money, but that amendment was rejected, and Senators now perceive that it was the one and only amendment that would have made the Reconstruction Finance Corporation worth anything to the people. Had my amendment proposing that citizens might borrow upon security been adopted, then the Reconstruction Finance Corporation would to-day be a pillar of strength to the people instead of an organization whose effect is to prevent people borrowing money from the Government. Have I answered the Senator's question?

Mr. THOMAS of Oklahoma. Mr. President, will the Senator yield further?

The VICE PRESIDENT. Does the Senator from Arizona yield further to the Senator from Oklahoma?

Mr. ASHURST. I yield.

Mr. THOMAS of Oklahoma. Congress has been in session now for about two months; it has been about that long since the session convened. We are now in about the forty-first month of the depression and the only relief that is proposed for the people of the country is through the medium, I think, of three or four bills. One is by the Senator from Mississippi to lend the people money with which to pay their taxes. That is one form of relief. There is another bill by the senior Senator from Arkansas [Mr. ROBINSON], to permit farmers when they become bankrupt to go to some kind of a local agency, declare their bankruptcy, and in some way hold on to their farms until they can have their bankruptcy adjudicated. There is a third bill by another distinguished Senator proposing to loan to school districts some money with which to carry on their school activities. Does the Senator think that those bills strike at even the surface of the cause of the depression or provide any remedy?

Mr. ASHURST. They will be helpful, but I am informed that a Senator, who has given this subject much attention, will offer to the pending bill an amendment providing for the coinage of silver at the ratio of 16 to 1, so that the money of the Constitution, the money of the people, stricken down some 36 years ago, may be coined. If and when that amendment shall become a law, then, this depression, which has spread terror, distress and despair to millions of people, will lift its ugly form within 40 days. One man may look for one remedy and another man for another remedy. One takes a forked stick and picks up a rag of self-interest here and another there, and another one would do something else, but the free coinage of silver, at the ratio of 16 to 1, within 40 days would turn the spindles and wheels of America; plumes of smoke would pour forth from the chimneys of factories, and work, peace, and plenty would spread their smiling influence over this now despairing and prostrate land.

There are many things in this world plain to other people that are not obvious to me, but to me it is a strange commentary on the conduct of public affairs that one sure thing, to wit, the free and unlimited coinage of silver, which would bring back prosperity, is the one thing upon which we can not get a vote. I urge, I beseech Senators to stand behind that proposal, and I warn them that if they do not put the 16 to 1 amendment on this bill they will never have another opportunity to do so during this session; they will have sinned away their day of grace and will have neglected the real opportunity to bring back prosperity.

Mr. WHEELER. Mr. President—

The VICE PRESIDENT. Does the Senator from Arizona yield to the Senator from Montana?

Mr. ASHURST. I yield the floor.

Mr. WHEELER. I merely wish to give notice that I shall offer my bill as an amendment providing for the remonetization of silver to the pending measure known as the Glass bill.

Mr. ASHURST subsequently submitted the following concurrent resolution (S. Con. Res. 40), which was referred to the Committee on Printing:

Resolved by the Senate (the House of Representatives concurring), That 5,000 additional copies of Senate Document No. 173, entitled "Letter from the Secretary of the Civil Service Commission, transmitting in response to Senate Resolution No. 303, submitted by Senator McKELLAR, a list of offices, positions, places, and employments under the Federal Government and the District of Columbia not under civil-service rules and regulations," be printed, of which 2,000 copies shall be for the use of the Senate and 3,000 copies for the use of the House of Representatives.

#### THE ANTHRACITE INDUSTRY

Mr. GRAMMER. Mr. President, I am in receipt of an address, delivered by Gen. Brice P. Disque, on January 19 of this year, before the Anthracite Club of New York, which so nearly coincides with my own views that I ask to have it printed in the RECORD.

The VICE PRESIDENT. Without objection it is so ordered.

The address is as follows:

The anthracite industry's record through the current depression compares most favorably with that of other basic industries. Much of its tonnage loss is due to unnatural competition from other fuels which ordinarily depend upon industrial uses. Having become demoralized they have invaded anthracite's proper zone on a price basis that can not be maintained.

A large percentage of the losses incurred through this competition will be recovered with readjustments downward in the price of anthracite and the inevitable increases in prices of other fuels.

Our own industry is doing all it can to meet conditions of this character and, in addition, will be on a parity with any fuel in its utility as automatic heat before the expected renaissance in home construction gets under way.

We have many important, if not vital, problems to solve in distribution and merchandising. They are and have been under constant and intense scrutiny. They are complicated and difficult of solution and in many respects will entail changes of habits and practices of almost a century's standing.

It is proper and necessary that new procedure be adopted, but only after the most thorough and careful analysis. Such things can not be hurried without danger of errors which might incur serious losses.

All these matters are moving forward in an orderly manner towards a much better day for all interested in and loyal to anthracite.

To-day the major obstacle to better conditions in the industry is a situation over which it has no control, except in the ratio the industry's leadership and influence bears to those elements in the country at large.

Therefore, rather than talk of the specific problems of anthracite to-night, your committee has suggested that I address myself to the broader questions indirectly affecting our industry.

It must be understood, and distinctly so, that what I say this evening represents my own views, and in stating them I do so as an individual citizen and not as a representative of any group.

We, as citizens, must contribute our share to the solution of our national and general problems.

It is proper that we pause to contemplate the condition, problems, and possibilities of our country to-day.

Firmly convinced that our country can be prosperous regardless of what the remainder of the world is doing, I shall endeavor to sell that idea to you. If I am correct, the sooner Americans believe the same way, the sooner we will all go to work.

We have had such a continuous morning, noon, and night barrage of headlines, radio broadcasts, and proclamations from half-baked economists, telling us that our very lives are dependent upon every influence in the world other than our own, that it is not surprising that many are beginning to believe the story.

Knowing history one must know the futility of a hope for the benevolent assimilation of all countries of the world. The greatest character of all time, with the greatest story ever told to mankind, gave His life in vain to convince the nations and all men that material and spiritual rewards follow the practice of the golden rule.

Facing the facts, we are forced to the conclusion that if America is dependent upon world conditions, the future is dark, if not black. Certainly it is in a condition of low visibility and one not to inspire hope of early recovery from this terrible mess.

I have a distinctly different view, and based upon it, I am confident of our ability to go ahead and optimistic about the possibilities for the immediate future.

My view is that economically we are almost completely a self-contained country, that we became too cocky and went on a champagne spree, and that we are just now getting over the headache.

What we most need now is a generous dose to cleanse our system, and then we will feel much better; optimism will again prevail, and with it courage will return.

The champagne still left in our system is the cost of government, and a misconception of why we have government and what government should do.

Our Constitution set up a very workable system and we did pretty well for more than a hundred years. Then men less qualified than the original architects, less sincere, and more concerned with parts rather than the whole began to tamper and change it.

The results have been very costly and we will have to reestablish some of the old framework. Beyond tampering with the actual Constitution, we have permitted an insidious penetration with its vitals through the circuitous route of taxation.

Too much of our Federal governing to-day is by appropriation rather than by Constitution. Interpretations of the Federal Government's right to tax have so expanded that right that to-day Federal bureaucrats in many instances actually dictate to States through control of Federal funds allocated to States.

In the year 1931, 14 States received more Federal money than the total taxes paid by citizens and industries of those States to the Federal Government. Of course, the excess of receipts by those States came from citizens of other States. Actually Federal taxes collected from some States have paid the salaries of Congressmen and Senators from other States.

It is easy to see where we will end if that cockeyed interpretation of Federal powers is not corrected.

When a child touches a red-hot stove a second time, the parents call in an alienist. When the Federal Government loses a billion dollars trying to adjourn the law of supply and demand and fix prices of farm products we cuss out the Farm Board and then start to set up a domestic-allotment plan or something equally impossible economically, which is certain to prove just as much a violation of immutable economic law. Did you ever hear of a farmer who thought the Farm Board helped him?

Because very few of the big mass of us think of us as a whole, every well-organized minority can and does eat into our earnings via the route of taxes and appropriations.

This national scandal is duplicated, only to a lesser degree, in States and cities. Here are a few figures for you to think about:

In the year 1913 the total cost of Government in this country of ours, city, State, and Federal, totaled \$2,919,000,000—a per capita burden of \$30.24. In the year 1930 the cost of Government amounted to \$13,464,000,000, with a per capita cost of \$109.67. The latter means an increase in cost of Government of 361 per cent in 17 years. The increase in population during that period was about 25 per cent.

Now, the national income in 1913 was \$34,400,000,000 when the governmental cost was \$2,919,000,000, and the income in 1931 was \$57,500,000,000, and the cost was \$13,122,000,000. That is an increase from 8.5 per cent of the national income in 1913 to 23 per cent of it in 1931. Almost one-fourth of all we earn goes to support this back-breaking system. We will call it a racket soon.

In 1800 there were about 3,000 Federal employees. In 1932 there were about 617,000. Had the number of employees increased in ratio to the population we would have about 70,000, and that is enough.

During the period 1920-1931 we expended over fourteen and a half billion dollars on automobile roads outside of cities, of which about three and one-half billions were obtained through sale of bonds. Most of those roads wear out and have to be replaced before the bonds are retired.

Excellent authorities have calculated that a road suited to the wear and tear of 95 per cent of all motor vehicles can be built for \$6,000 per mile. We could have had 2,300,000 miles of such roads. We have 730,000 miles. The average cost per mile of highways constructed by States in 1930 was \$25,966, and having constructed 27,464 miles it is evident that we expended \$548,000,000 in that year for 5 per cent of the motor vehicles. A rather generous subsidy to trucking. The motor industry has been alert and potent. We have paid.

We have less money this year with which to pay taxes than at any time since 1916, and all we hear is talk of how our legislatures will develop new and increased revenue. Will they ever wake up? I think so; and soon. The source is drying up, and to get funds for bare necessities is going to be difficult this year, even when they spread the tax base to include every citizen.

To accomplish this the base must be enlarged, and very substantially. Therein we will find the cure, because men will participate in democratic government only when they know that it is digging directly into their own pockets.

The cost of government has got to be cut. Pin scratches will not do. It needs an ax and a strong arm—from Washington to the smallest city.

The cost of government is sweeping us to destruction like a prairie fire. The only way to stop that sort of catastrophe is to lay a back fire, regardless of what it destroys. We can not be too particular or delicate about what is cut out of government or who gets hurt.

A Veterans' Bureau expenditure of \$1,000,000,000 is more than a scandal—it is a calamity.

A widow of a man killed in action in France gets a pension of \$30 per month. A man disabled by disease for which he can be court-martialed can draw \$225 per month. Others on salaries from the Government up to \$7,500 annually have been found on the pension list. Two New York police lieutenants were recently promoted over 200 of their fellow officers because of war service. They are also on the pension list.

Now, what about our solicitude for the farmer? Why does he get so much consideration? Why is it proper to guarantee a price on wheat and allow the producer of woodenware to go bankrupt when he overproduces?

Of course it is only a matter of an organized minority working for its interest and the absence of a guardian for the big crowd.

When farming is a mode of life the farmer is almost an independent economic unit. He requires no subsidy. When farming becomes a business it should receive the same treatment as busi-

ness or have some understandable reason for special favors. Certainly an uncontrollable desire to overproduce is no sufficient reason. Neither is lack of ability to organize distribution a good reason. Sunkist oranges have proven that distribution of products of the land can be organized to the advantage of producers.

The farmer's income in 1931 was about what it was in 1910. His taxes were three times as great as in 1910. Isn't that the answer? Instead of trying to increase the taxes of others to help him he might go to work reducing his own.

We have got to stop imposing political palliatives, all violations of economic laws, upon ourselves. They are generally a sop put out by confused governments to appease a more confused public clamor.

Some doses of plain, wholesome, economic truths and a discontinuance of the distribution of national funds to limited areas and special groups will appease and educate our people and quiet the clamor.

Our people as a whole will never be unreasonable and will treat their Federal Government more understandingly when they are convinced that no part of them can pick Uncle Sam's pockets while the other part has its back turned.

The farmer has been fed a lot of misleading information about foreign markets and tariffs. Most of it is in terms that not one farmer in a hundred understands. The promoters of many of the theories manufactured for the "education" of the ordinary American about foreign trade, world markets, and tariffs can not state their ideas in plain simple language and be convincing.

The importance of those subjects has become so great that every American should think down into and through them. Above all, he should demand to be shown. He should repeat the words "why" and "how" until the explanations are carried down to conditions with which he has everyday and intimate familiarity. Unless they favorably affect such conditions as they pertain to us as individuals, they are wrong.

It is my opinion that practically none of the generalized, remote control, foreign trade, tariff wall assertions about causes of or cures for this depression will stand that test.

Not one man in a million can contemplate, to say nothing of comprehend, the ramifications of international trade and finance. It is always dangerous to allow a thing you can not understand to play too big a part in controlling your economic life.

They tell the farmer our tariffs must come down so he can sell into world markets. Let us ask why. The only answer must be to permit foreign manufacturers to sell their goods in America so they can obtain dollars with which to purchase farm products.

Let us look at that. When a foreign seller collects American dollars he is a free agent and can spend them anywhere he wishes. Probably he will buy his farm products in world markets and at the lowest price obtainable.

Therefore, the American farmer will only get that business if he is on the low price level of countries whose standard of living is lower than our own. He must take less for his foreign sales than he can get in America.

Of course, that might be all right if he were sure of the American market and also sure of the foreign market. But we have seen that the foreign buyer is not a certainty. We do know that the dollars acquired by the foreigner would have gone to some American laborers had the foreign goods been excluded. We also know that to the extent they are admitted, American labor's buying power is curtailed.

The farmer's choice is between a high, prohibitive tariff with a sure American purchaser for his goods at prices above those of world markets and a low tariff—a definitely lost American buyer and a doubtful foreign buyer certain to buy at lower prices if he buys at all.

No; we have not learned how to eat cake and keep it in the bread box for the next meal. Nor is there any yet known method to insure high prices when the supply continues to exceed the demand.

That is all there is to the farmer's problem and the problem of any American engaged in business. He can not have a profitable domestic market and also dabble everywhere else in the world.

Famines and political disruption in other countries always will create temporary advantages for us abroad, but they must be regarded as temporary.

Even in those cases it is difficult to see how the farmer can collect for such sales. How can the buyers pay?

Whenever you hear or read of some American urging the lowering of tariffs—declaring that increasing imports is the key to recovery, recommending readjustment in foreign debts or their cancellation, urging recognition of Soviet Russia, or any other line of action which your common sense tells you seems to favor foreign interests as against those of our country—do not believe his story. Whether he is one or a thousand economists, do not believe assertions until you understand them. Do not take them merely because the proponent is supposed to have some peculiar understanding or because he seems to be approaching what has been made to seem a very complicated subject, in a purely scientific manner. Be very sure he is not serving a master whose interests are diametrically opposed to your broad national welfare.

Men do not go in for much heavy work or thinking out of sheer unselfish interest in humanity. Whether he be economist, industrialist, or politician the man who urges America to do what Europe wants done must be under suspicion. At least, the burden of proof of pure unselfish patriotism must be upon his shoulders.

We of this generation are privileged to observe the greatest international poker game ever played. The stakes are fabulous.

Probably the only player in the game who is innocently playing without marked cards is our simple old Uncle Sam. He is even at the disadvantage of having some of his own family kibitzing and then signaling his cards to the other players.

A "lamb in a congress of lions." That is what one writer called Uncle Sam. The lamb has been sheared repeatedly and got none of the wool. He is getting valuable experience, but one is tempted to cry, "Oh, Lord, how long?"

International debts. What do we hear about them? It's a rare pronouncement, regardless of its author, that does not recommend something that Europe wants. The Nation seems without a determined champion qualified and determined to defend its interests. The plain facts are obscured and about all we read and hear is that Europe can not pay, and if we force default, world trade, and therefore our prosperity, will suffer. Why? No one has explained in plain, simple language that the common man can understand.

When the discussion gets down to such simple terms and is made to apply to the every-day life of our people, only one conclusion will be possible. It isn't the conclusion wanted by Europe nor the champions of Europe's interests.

They say we did not loan money but goods. I thought it was American dollars that I used to purchase Liberty bonds with. I know it is American dollars that I am paying in taxes and must pay to retire those bonds.

Suppose we did expand some factory and raw material production to meet Europe's requirements? What would have happened to the Allies if we had refused? That very expansion for their requirements has rebounded upon us with a wallop that hurts and is not the least of our present domestic problems.

\*That war wasn't "our war," and the sooner we get that idea established at home and engraved on the continent of Europe the better for everybody.

German high command stupidity forced our hand at a time when they had about finished France. I sat in on many occasions and listened to the appeals for performance of miracles to save the Allies. We did save France, and there is no question about that.

Now she defaults her payment to us and loans gold to a necklace of petty powers to choke Germany.

The net result of our participation in that war "to save democracy" was to shift the military control of Europe from Germany to France.

No; I do not like to talk this way. I have no desire to see anything done to stir up international squabbling. But, at any cost, I am willing to do all in my power to prevent further damage to our own country.

War debts is an intriguing subject. But once money is loaned, whether a war debt or any other kind, it is too late to think about possibilities of collection. That subject should be canvassed and understood before the money is loaned. That is why I am now talking about it.

Inevitably the next stage of this farce or tragedy will involve attempts to get more of our earnings into the hands of foreigners. Can they ever pay? How has Europe paid the small amount that was paid?

The total principal and interest paid back to us up to July, 1931, when the Hoover moratorium was established, was \$2,606,000,000. Germany's reparation payments, 1924-1931, to the Allies were \$2,500,000,000. American loans to Germany were \$2,000,000,000, exclusive of direct investments, which will lift the total to all they paid in reparation. In simple language, America loaned the money with which our debtors paid us. You don't have to be an Einstein to understand that. Who makes any money out of that kind of a deal?

I have a feeling that this idea of America reducing or canceling war debts grew from seed planted by some of our unofficial ambassadors. Many of our countrymen when they go abroad and accept hospitality which Europeans know how to use for purposes have a softening of the heart, if not the brain, and stand up at dinner parties and suggest just what their hosts have planned. There has been more of that kind of lamb shearing than we care to acknowledge.

But we are under no moral or even remote obligation to do anything about it.

German reparations can never be classed or compared with the debts of the Allies to America. The former are involuntary, forced at the point of guns, and the latter are entirely voluntary obligations, which produced facilities that saved nations.

Aside from reparations, the Allies took land, commerce, and people from the central powers, worth many times their debt to us, and they will keep those prizes as long as their military power will permit.

In all, Germany and her allies lost 1,435,000 square miles of territory, 57,110,000 inhabitants, and untold fortune in national resources in those territories. We got none of that.

The Allies owe us a readjusted debt of about \$11,000,000,000. The proposal frequently is made that we negotiate more liberal terms for them in exchange for favors that will permit us to sell more of our produce and products to them.

America suddenly became the world's greatest creditor Nation following the war and didn't realize what it meant or how to act. We had always been a debtor Nation prior to that, and it was only during the war that huge holdings of our securities were purchased from Europe. England had been the great creditor nation.

England could be a creditor nation. She required enormous imports to support her own population and greater ones to process and reship to the markets of the world. England was necessarily

a big buyer, and others could liquidate their debts to her by shipping goods. She needed them.

America, on the other hand, requires very little from the outside world. Her people will not lower tariffs to render her own helpless to secure work. When this fact, coupled with the impossibility of paying debts in gold, penetrates the minds of our people, we will give up the idea of being a creditor Nation to any except countries that produce what we can not and only up to the value of our necessary imports of those commodities.

What's the use of selling when the buyer can not pay what he already owes? I do not wish to appear facetious or to hammer on this point excessively. But it is a vital question, and ultimate ability as well as willingness to pay is a vital part of any deal.

If the world is getting instruction these days in any basic subject it is that refunding loans is not paying debts. It is a way out for those immediately responsible, but neither honest nor sound, and some day (as now) those upon whose shoulders the new maturities shall fall will again be perplexed beyond the capacity of civilization to fathom.

International debit balances can be paid only in gold, services, or goods.

We already have too much gold to permit other nations to function on a gold basis; so the question is, are we ready to take payment in goods and services?

We can produce about everything we need except rubber, tea, coffee, nickel, tin, platinum, and a few odds and ends of minor economic importance totaling about \$1,000,000,000 per year. We are almost independent in an economic sense.

We are producing everything that we need other than those items. Therefore, if we take goods in excess of about \$1,000,000,000, the annual value of our essential imports, we must, to the degree that imports exceed exports, make the deliberate choice of impairing some American industry, of reducing employment somewhere. Are we prepared to do that?

Foreign governmental debts could be paid over a period of time by our taking all our requirements of those nonproducible commodities from the debtor nations and curtailing or suspending our exports during the period. I doubt if any other method can be found that will stand the test of time and experience.

We can not collect in any other way. We do not want any of the German possessions that were transferred to the Allies. We could not govern them to our advantage. Our Philippine experience is sufficient.

I am willing to concede that our debtors are up against a difficult situation and I doubt if they ever can pay by any method acceptable to us. However, it was of their own making. So far as they are concerned, the only thing at risk is their credit reputation. We can not make or break that; it is in their hands entirely. If they do not pay honest debts, their credit reputation will suffer. It had better be labeled now so that we will have a clear record in front of us when new loans are suggested.

We might properly remind our debtors that American tourists and recent emigrants transfer about \$1,000,000,000 of our money to Europe annually. That amount could and properly should be expended by Europe for American exports, and there is no reason why the profit on such transactions, about \$100,000,000 annually, should not be applied to the governmental debt reduction.

Please do not understand from anything I may say to-night that I am indifferent to the growth and development of world accord. That is a laudable ideal, and this old world would be a happy place if we could attain it.

The ordinary man in all countries is pretty much alike. All seem to have the same hopes, ambitions, and desire for human fellowship.

I have seen, known, and lived with people in many parts of the world. To do that makes one tolerant and respectful of the personality of each nation.

Last New Year's Eve I sat in my home and heard the resonant tones of Big Ben in the tower of Parliament ring out the old year. Then the sounds from London streets came over the radio waves. A few hours later New York was doing the same thing. A few hours earlier they were doing it in the Near East.

I could not stop my mind in its travel to places known to it and people everywhere. Whether in Japan, India, Ceylon, Egypt, Spain, Italy, France, Germany, Belgium, England, and all of Latin America, as well as our great neighbors—Mexico and Canada—I could visualize a friendly group who think and act as do I. Some day, some how, we must learn how to live with all of them in decency. They want it, and so do we.

My hope is that this question of war debts will be laid in the archives along with the notes of the Allies as they are now written, with a friendly letter sent to each of them saying that Uncle Sam will not ask the impossible and will await indefinitely for them to lift their obligations. Such a disposition may prove most useful in years to come.

These matters are of the utmost importance to Americans at all times, but especially so to-day because representatives of our country will soon sit, officially or as "observers," in a world economic conference. It is extremely important that they do not misrepresent us.

Having done that, let's get busy and do something for America and ourselves. Let's try to find ways and means to use all our surplus earnings here profitably to investors and workers. It will be safer to investors and do good for America.

Buy America can be justified and is an absolute necessity to the present and future prosperity of this land of ours. Buy Virginia, buy Nebraska, or any other subdivision of buy America is as unsound as the buy-America movement is sound.

Buy America didn't start that way. It started as buy France, buy British, more than a year ago, and we required that period to respond.

Neither Americans nor any other people will buy food, raw materials, automobiles, machinery, or any other necessity or luxury for sentimental reasons. Neither will they purchase because of indirect practical reasons, such as keeping their countrymen in other sections employed so they in turn may be buyers, possibly of the other fellow's products. They buy on the sole basis of values.

Their inability to see through the indirect cause of sustaining all domestic markets as a matter of enlightened self-interest renders it absolutely essential that the Government have the power and use it constantly to protect, not render competitive or reciprocal, all domestic production.

"Buy America" is all right as a slogan, but without teeth it will not bite off much of our imports.

It calls for a high degree of pure patriotism or intelligence to persuade a man to withstand temptation to purchase tempting products at tempting prices.

Our friends, neighbors, and countrymen in New England have gone a long way to popularize and aid foreign anthracite. I am sure they would not do that if they realized how unnecessary foreign miners are to them and how necessary regularly employed and paid American labor is to them and their own material welfare.

"Buy America" must have teeth, and the only kind that will prove useful are high and prohibitive tariff rates. Such rates will save those who can not see for themselves.

Of course we may expect other countries to do the same thing. Who wouldn't? And it is the best thing they can do. But their enlightened self-interest will prevent their setting up tariffs that will injure their own people, who, by the way, should be a nation's first concern.

Truly, they may set up tariffs to protect and even encourage the development of new industries which are needed to render them more self-contained and economically and politically independent. Why not? A nation too dumb to do that for its own people is a bad credit risk. We would gain nothing by developing a big export business which gave us a credit balance with it.

Vener thinking has brought us much conversation and literature about transplanting abroad of our factories because of our high tariff, and the resulting loss to American labor.

Recently a reference was made to the decline in our trade with the Argentine. Our tariff laws were blamed.

We used to allow hides to come in duty free. The tariff now is 10 per cent ad valorem. We produce about enough hides for our own requirements, but have produced about 35 per cent of the world's leather products. Our leather exports exceed those of any other country.

Our choice was to favor leather producers in their export trade or insure American cattle raisers a better and fairer price for hides. Now a 10 per cent ad valorem duty is not much. I have imported millions of dollars worth of hides from the Argentine and know that they have frequently ruined the American market price.

We also imported tanning extracts from the Argentine. Just think, hides and the essential tanning ingredients both transported 10,000 miles up here and shoes and belting shipped back. I have had them going both ways at the same time for years, and collected commissions and profits on the financing, purchases, sales, insurance, and transportation.

The Argentine could justify it then while she was consolidating her country. But how silly it would be to-day.

Of course, the Argentine-built leather factories and shoe factories. Let's give others credit for having just ordinary sense. We are lucky that we were able to transplant our factories. The Argentine will have her own one way or another. Why not?

In America we have shoe-producing capacity of 900,000,000 pairs per year. We consume about one-third of them and would like to export the remainder. Still we build new shoe factories in good times. Better build them in foreign countries; if we don't, others will do it.

The whole world is gradually going that way. Nations too backward to make that readjustment are not good credit risks. Whatever they can not manufacture or produce locally in an economic manner they will buy abroad. But their credit will be good to the extent they can sell abroad, and not one cent more.

There was a time when America shipped cotton to England and imported most of our cotton cloth from England. We quit that procedure as soon as we could. Just think of the urge to stop it. We saved going and coming, freight across the ocean, brokerage and buying and selling commissions, all the expense involved in international bookkeeping, interest on investment, cost of transfer of funds, insurance, and kept the British manufacturers' profit at home.

How many people, directly and indirectly, does the cotton textile industry support to-day? Everyone is a customer for the American cotton grower who would not be here if all our cotton goods were imported. Wouldn't he prefer them to foreign customers?

Whenever America allows imports of articles that can be produced here in a reasonable way she displaces American labor with a higher buying power than any other labor in the world, in favor of foreign labor. Certain American industries might derive temporary benefits, but the long-pull interest of every American industry lies completely within the policy of "Buy American." We must sell that idea and keep it sold.

Other subjects worthy of our attention are the soldiers' bonus, inflation of our currency, additional efforts to put business more

under control of Government bureaucrats, easing up on the outmoded Sherman law.

However, once we get the idea across that costs must be slashed and American industry must be protected, the other matters will move along in an orderly manner.

The country is crying for leadership—one leadership on one subject—combined leadership of all men who are capable of recognizing that we face a national emergency and must have consolidation of thought on what is good for the country as a whole. Sectional and minority advantages must take a back seat.

We have had enough of this disastrous economic warfare and sectional fighting for special advantages for minorities. There must be adjournment of such activities; we must call a truce if the back of this depression is to be broken.

We can not produce prosperity by statute or proclamation, but America can do it any day that her sons decide to sit down with good will toward one another and pool their ability in the interests of the whole Nation.

We have a distinct civilization of our own in this country. Recent trends have shown a drift which should cause concern. Immigrants, children and grandchildren of immigrants, are equally interested with those of us who are sixth and seventh generations of the first immigrants.

All came over here seeking something to make a fuller life. It was and remains here. All can well join together in a great drive to the end that America may remain American.

My hope, and I believe our country's great need to-day, is that we may together guide efforts to solve common problems with good will and a determination to avoid hateful class or sectional struggles. Social and economic adjustments never are successfully made in a hurry. Cooperation between all elements will minimize the inequalities of rates of change, which usually are the cause of danger zones and points of tension, in the economic evolutions of society.

The promotion of human welfare in America is our first and immediate job. Bring on all the machinery and inventions—we will learn to use them to make life richer for all men.

THE DEPRESSION, ITS CAUSE AND CURE—ARTICLE BY LIEUT. COMMANDER GEORGE JOERNS

Mr. SHORTRIDGE. Mr. President, I ask unanimous consent that an article written by Lieut. Commander George Joerns, United States Navy, retired—The Depression, Cause and Cure—may be printed in the RECORD. It will be seen that Commander Joerns adds a note to his discussion of the subject in which he says:

The opinions or assertions contained herein are the private ones of the writer and are not to be construed as official or reflecting the views of the Navy Department or the naval service at large.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

#### THE DEPRESSION, CAUSE AND CURE

By Lieut. Commander George Joerns, United States Navy, retired

We will first state the cure. Then define the cause. The cure lies in limiting by law the top interest rate in the United States to 5 per cent, releasing into circulation \$2,000,000,000 annually.

The cause of this depression is two-ply. The cure is based on the cause. One-ply, the upper millstone, is the more than \$200,000,000,000 of interest-bearing paper that these United States are plastered with. That paper has a backing of less than five billions of gold. Do not confuse paper with currency. In Europe the condition is worse with an equivalent gold backing of 1 per cent or less of the outstanding interest-bearing paper. In some areas of Europe currency has disappeared, barter assuming its place. Circulation anywhere devoted in too large part to the payment of interest is conducive to falling commodity prices, unemployment, and all the entailed social friction. The total of all interest-bearing paper in the world is \$750,000,000,000 (in effect).

Nor will the monetization of silver solve the problem. Silver is a commodity. So are potatoes. There will always be a standard whether it be the gold of the Occident or cows and wives in the Congo. The higher civilization sets and maintains the ultimate standard. The ratio of production of silver versus gold throughout the ages is said to have been constant in the proportion of 14.5 to 1. The annual incremental increase in gold is said to be 4 per cent. The world gold supply is now stated to be \$11,500,000,000. Therefore, the world added thereto this last year \$480,000,000. By that logic there will be added still more next year. Doubtful mathematics in the face of apparently diminishing gold production. Neglecting the arts, the world silver stock is worth precisely \$800,000,000, assuming that precisely the same relative quantity of gold and silver are melted up in the arts, which they are not. At any rate, converting that \$800,000,000 worth of silver into legal tender would not be a flea bite in the problem facing us.

Of course, if it be intended to remonetize silver at a value higher than its gold value, thereby playing Santa Claus to the lesser civilizations, that is a horse of a different color. Our gold mentality goes back a quarter of a century to India, where we saw natives kneeling before their braziers melting up British shillings to be fashioned into silver bracelets retailed to tourists or in multiple encasing the arms of their womenfolk in display of family wealth. Now we hear that chromium-plated ware has caught the fancy of these East Indians. It needs no polishing. That more physical effort relegated to leisure. Our gold mentality

again inquires, Did you ever hear of a currency that was not a managed currency? When your Neanderthal forebear purchased one attractive wife by the expenditure of one pretty sea shell, the principle of a managed currency was exemplified. The Creator in His wisdom had made pretty seashells and attractive wives relatively scarce. It can also be demonstrated that this is the basis of monogamy.

Neither will the commodity dollar solve matters, for in its collision with other commodity dollars the final referee will be gold. Nor will indiscriminate tariff reductions ameliorate. Such a step at one and the same time lowers the American standard of living and increases American unemployment. In the last analysis foreign tariff barriers are not reprisal but defense against the remorseless advance of machinery. Interesting corollary thereto is the fact that the machine itself is exporting machinery in increasing quantities to be manned by cheap foreign labor. Tariff reciprocity is both illusion and delusion. All of this shunts us back to our original premise, emphasizing that value in the United States is being slowly concentrated into money, the dollar increasing in value every day, while everything else loses some of its worth.

The other ply, the nether millstone, is the relentless progress of machinery and invention. The United States produces annually two-thirds of the world's patentable inventions. The machine produces, the individual consumes.

The march of machinery has already discounted and offset any possible benefits of currency inflation. The machine is ever in advance and too swift. The soldiers' bonus of \$2,200,000,000 if paid with greenbacks on a 120,000,000-population basis would inflate the currency \$19 per capita. The effect thereof would be artificial prosperity for a year after which the sum total would languish in idle reservoirs of capital. The effect would not be the continuing effect enforced by the lowering of interest rates as here suggested. It is idle to talk of a 30-hour week for labor until interest rates have been brought into line with the conditions facing us on the threshold of a new era. The per capita circulation of currency in 1920 was \$54. It is now \$45. Paying the bonus as aforesaid would shoot it up to \$64. Proponents have offered as a check against untoward inflation the alternative of retiring a portion of these greenbacks by substituting interest-bearing Government bonds if, and when, the commodity price level tended to rise to too great a height. The real danger would lie in the possible depletion of the gold reserve by the injection of such a quantity of circulating media into the currency stream, technical reserve ratios to the contrary notwithstanding. If our Army engineers, who successfully built the Panama Canal, were ordered to temporarily divert the Potomac River from its course opposite the Washington Monument, excavate the river bed, install steel and concrete vaults at that point, into which we could pour our more than four billions of gold, then return the Potomac to its course, we might hazard paying the bonus as indicated. A mismanaged currency then would not contribute to the gayety of nations.

The productive energies of the American people are burdened by an inordinate interest charge. True, some of the \$200,000,000,000 of paper afore referred to bears an interest rate of less than 5 per cent. However, a great deal of it bears a rate of 6, 7, and 8 per cent. Some of the short-term farm paper running as high as 10 per cent. If an average be struck and the legal interest rate be fixed at not higher than 5 per cent, a saving of more than 1 per cent, more than \$2,000,000,000 per year would be effected and immediately released into circulation. True, interest seeks reinvestment, but at 6 per cent and more with safety. Failing that, it now sulks in hoarding. The legal-reserve requirements of the member banks of the Federal reserve system are close to \$2,000,000,000. These member banks have already piled up an additional 25 per cent excess.

Wages have been slashed. Farm prices were 61 per cent of the 1910-1914 average when these thoughts were first reduced to writing in April, 1932. Farm prices are still lower as we near the commencement of a new year (1933). It is time we slashed the wages of capital, meaning interest. We do not blame capital fighting for its wages. It should cease using human wages as a stalking horse. Its continued assault on wages indicates lack of intelligence. Inept, brainless, leaderless, it admits possession of but one organ, stomach. Reducing large sections of the population to peonage and helotry is not conducive to orderly amortization of its outstanding paper. At the present rate it will soon be sprawled flat on its back baying for help.

There are more than 8,000,000 unemployed (April, 1932). There will continue to be more than 8,000,000 unemployed next year, the year after that, and ad infinitum, unless a major surgical operation is performed, and soon. The Reconstruction Finance Corporation and allied constructive efforts were a necessary stop-gap. The patient is ready for the operating table. The appendix has burst and has to come out. The operation will be without ether. The patient is already too weak.

Fixing the legal interest rate at not more than 5 per cent in the United States is not so awkward and involved. It has been set at certain rates by the individual States. It may have to be done through a constitutional amendment. The due-process and general-welfare clauses of the Constitution will have to be balanced one against the other in the enactment.

Rents will come down. The reported drop of only 8 per cent in 1931 is entirely out of line with the drop in other lines. What has held them up? The interest charges on mortgages, not deficiency in building. There has been surfeit of dwelling space. True, due to vacancies, there has been a flood of second-mortgage foreclosures,

but not sufficient to drastically alter the whole picture. Many vacancies are induced by families doubling up.

Many American preferred stocks pay dividends of 6 and 7 per cent. The term "dividends" in this instance is a misnomer. It is really interest paid by industry for money borrowed from the public. They should be included herewith, but not confused with common stock. The small holder of preferred stock will collectively probably holler the loudest and individually benefit the most by the drop in rents above referred to.

Seven per cent equipment trusts of one western railroad are selling at par. These are a first lien on physical properties and the finest kind of collateral. A saving of 2 per cent will be reflected in increased betterments, employing more labor, hence increased traffic, bringing lower freight rates. Emphatically so if these effects be applied to the railroads in general.

We pay life-insurance companies 6 per cent for the loan of our own money. A saving of 1 per cent on a \$2,000 loan will buy a radio. Just now we are waiting until radios get cheaper or they give them away.

We have suggested a constitutional amendment as a remedy. We here advance several accelerators in connection therewith. It may be possible to bring about a general lowering of interest rates within the United States by simple legislative enactment. Namely, by taxing into the Federal Treasury all interest in excess of 5 per cent earned on foreign securities hereafter sold to American citizens. Although the immediate effect of this might be negligible, the net result in a very short time would be an ever increasing volume of idle capital within the United States coming into violent competition with present interest rates. Unmatured loans would be sought out, taken up and refinanced at lower interest rates. We are the largest single reservoir of capital. Our incremental increase in wealth is normally 4 per cent annually. There should be an immediate psychological effect having a tendency to lower interest rates. Our present-day rates of interest are archaic. Precisely what they were in George Washington's time. In that day and age, two hundred and odd years ago, man was the unit of toil and his own defense against mass usury. In our day the machine has become the unit of toil and man either comes across or starves.

The effect of such suggested legislation would be in the future to throw the mantle of protection around American investors in foreign securities. Our average American is entitled to that protection. It will be impossible to lure him and deceive him by a high interest-bearing offering. Five per cent foreign paper will have to be offered to him at 80 in order to earn 6 per cent. Or offered to him at 70 to earn 7 per cent. The position of the foreign borrower immediately becomes untenable. Under these inhibitions foreign securities actually floated would tend to be gilt edged so far as the American investor was concerned. The Federal Government would be exercising its police powers in these premises. We would be putting the world on notice as regards interest rates.

Another accelerator would be as follows: Impound in the Federal Treasury all interest in excess of 4 per cent paid to American holders of existing foreign securities. Such impounded sums to be tagged with a label, to wit, "France, Bulgaria, etc., come and get it." Such impounded sums to be credited to the concerned governments in payment for American raw and manufactured products purchased by their citizens. Such transactions to be contingent upon the shipping of such goods in American bottoms. The constitutionality of such enactment might be questioned on the grounds that it takes property from one class of property owners without benefit to give to another (as between American citizens). On the contrary, it creates benefit. The benefit of insurance of principal and in instances the possible restoration to service in case of defaulted debt.

Foreign securities held by American investors have been estimated at \$10,000,000,000. Three billion dollars thereof is already reported in default. It is currently reported that the British similarly have owing to them \$20,000,000,000, exclusive of inter-governmental debts. If we executed the foregoing and they followed our example, the stimulus to world trade would be tremendous. The impetus to our own shipping might make for logical Budget reductions in our mail subsidies. As an inducement to British cooperation in these premises we might recalculate their governmental debt to us at an interest rate 1 per cent less than the rate used in funding said debt, thus bringing the terms to them more in line with those accorded the other nations at the time of the debt-funding agreements. At any rate if you wish to effect a breach in foreign tariff walls without jeopardy to American labor, the foregoing will do it. At least \$600,000,000, or 2 per cent of \$30,000,000,000, would be released into foreign trade annually, of course decreasing slowly as these debts extinguish.

Our objective is, therefore, the laying of a logical foundation for reduction in international and domestic interest rates. These are the key log in this world economic jam. Although all our other efforts may be well-intentioned, in the larger view we may be only imitating the dog chasing his tail around the stump. It all heads up into currency. Volume of currency minus (without) velocity of currency equals depression. Siphoning off vast sums by media of interest payments into idle reservoirs of capital will not get the economic engine off its dead center in this new era of overexpanded plant capacity.

This guano rock is cluttered with the fossil remains of extinct peoples, whose chief slogan in their day had been, "It can't be done."

NOTE.—The opinions or assertions contained herein are the private ones of the writer and are not to be construed as official or reflecting the views of the Navy Department or the naval service at large.

GEORGE JOERNS.

#### BALANCING THE BUDGET—STATEMENT BY SENATOR BORAH

Mr. BULKLEY. Mr. President, I hold in my hand a very able statement by the senior Senator from Idaho [Mr. BORAH] on the subject of balancing the Budget. I ask unanimous consent that it be printed in the RECORD.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

The question of balancing the Budget is again being urged. I venture the opinion that the Budget will not and can not be balanced except on paper, and that briefly, either now or under the incoming administration, until we settle the currency question. It can not be done any more than you can build a house upon a receding sandbar.

With commodity prices near the bottom and still slowly falling, with the purchasing power of the masses near the minimum and still diminishing, with taxes increasing in amount but diminishing in returns, with the value of the dollar appreciating and mortgages and taxes responding accordingly, there is no such thing as balancing the Budget except on paper and temporarily.

The proposal has been made to cut Government expenses \$500,000,000. That is a wise proposal. It is then proposed to raise \$500,000,000 by increase of taxes, the sales tax. That is a cruel proposal in the light of diminishing profits, falling prices, and decrease of purchasing power. At a time when underconsumption is a malady which menaces our whole social structure there can be no justification for aggravating the malady. If we can not stabilize prices, to lay on a sales tax which strikes at those least able to pay is to accentuate the fall in prices and discourage and decrease purchasing power. We are traveling in a vicious circle toward economic collapse.

In 1929 the national income was about \$85,200,000,000; in 1932, about \$37,500,000,000. Our national income now is about equal to the taxes of the people, city, State, and national, together with the interest falling due on private indebtedness. We have already reached the point when, measured against interest and taxes, the income of the Nation is about zero.

To put a tax on the poorer people until we have done something to raise and stabilize the prices of commodities is not wise from an economic standpoint, and socially it is an iniquity.

At the present time we are on the gold standard in this country. The rest of the world, except France, which, owing to certain reasons not necessary to discuss here, does not affect greatly our situation, is on a managed-currency basis. While our dollar climbs in value their currency is accommodated to their economic situation. The result is that we are not only losing our foreign markets but we are losing our domestic markets. Important lines of business are actually being closed because they can not compete in the markets with the products coming in and deluging our home markets from countries on a cheaper-currency basis. The fish business on the Pacific coast is being literally ruined. The countries off the gold standard are literally taking over the fish industry. The farmer also is feeling the effect of the competition in the same way. Other important lines of industry feel the effect of it. To talk about balancing the Budget and laying on heavier taxes without any accompanying program to meet this situation is to invite further depression, further distress, if not something worse.

It is going to be difficult—and I believe impossible—to balance the Budget, certainly to keep it balanced, until you balance the budget of the taxpayers. Is there any way to bring about the latter until you devise a plan for increasing the prices of commodities? Is there any way to do that except through reflation, through adjustment of the money problem?

#### GOVERNMENT ECONOMY

Mr. WHEELER. Mr. President, I ask leave to have published in the RECORD portions of an article appearing in the December issue of Scribner's Magazine, by Stuart Chase, entitled "Government Economy."

There being no objection, the matter was ordered to be printed in the RECORD, and it is as follows:

#### GOVERNMENT ECONOMY

By Stuart Chase

Our best people, having deflated wages to the satisfaction of all concerned, except perhaps the wage earners, are now turning their attention to taxes. It appears that strict economy on the part of the several governments—Federal, State, and local—and a drastic reduction of the "crushing burden of taxation," are at once the royal road out of the depression, and a mandatory policy for the future. It appears that paying the veterans' bonus would bankrupt Uncle Sam. It appears finally that Government expenditures have been advancing by leaps and bounds, alarmingly out of line with population growth and the course of the national income. It is difficult to pick up a newspaper without finding a polemic on this sorry state of affairs, delivered by imposing generalissimos of finance and industry, or by public-spirited economy leagues, supported with the most appalling figures.

Mr. Bernard Baruch, in a recent number of the Nation's Business, provides a typical example. After stating that Government costs in 1932 will eat up fifteen billions out of a total national income of forty-five billions—one dollar in three—he concludes: "If we balance the Federal Budget on a billion-dollar cut, there will be no necessity for palliatives. It is the key to economic recovery." Waiving the statistical question of precisely how one billion lopped from fifteen can provide a magic key, we are moved to inquire why Mr. Baruch and his friends believe so sincerely that there is a key in the tax door at all. The wage deflation, thorough and workmanlike as it was, did not carry us very far forward. It is arguable that, by annihilating a good many billions of purchasing power, it has carried us appreciably backward. Will a wholesale deflation of Government expenditures be any more successful?

As an almost congenital foe of economic waste, I should be the first to welcome a spirited onslaught on any major channel of lag, leak, and friction, whether governmental or private, but somehow this particular campaign leaves me both cold and curious. Are the statements true, to begin with? Why is the attack so sudden and so well organized? What is behind it? What will be its probable economic effect if victoriously carried through? \* \* \*

#### FACTS AND FACTS

Before me is a stout volume entitled "Financial Conditions and Operations of the National Government, 1921-1930," by Dr. W. F. Willoughby, director of the Institute for Government Research. On page 3 the author says:

"There has been an unfortunate tendency for public attention to be concentrated too largely upon such single items as the total payments to governments in the form of taxes, total expenditures by governments, and the like. An increase in taxes has been viewed as, per se, an evil. Such a position is wholly an illogical one. Though governments may spend more, they do more; and it may well be that the increased demand made upon the taxpayers is more than offset by the additional service rendered to him. The really important things are not so much the grand totals of government revenues and expenditures as the sources from which such revenues are derived and the purposes to which the expenditures are devoted."

Doctor Willoughby goes on to show how, due to clumsy methods of accounting, the official reports of the Federal Government may be misconstrued, and highly dubious conclusions arrived at. If, for instance, postal expenses are included with other Government expenses, the total is inflated by some seven hundred millions. Such a total is meaningless. Postal revenues must be considered as an offset.

Indeed it requires a solid book for Doctor Willoughby to analyze the official reports, eliminate the duplications and irrelevancies, and so finally get down to what the United States Government actually costs us and what we really pay in taxes. Here are his final figures:

Federal Government  
[In billions of dollars]

	Actual operating costs	Total ex- penditures	Total net taxes
1921.....	3.9	4.8	4.9
1922.....	3.2	4.1	3.5
1923.....	2.9	3.6	3.0
1924.....	2.7	3.8	3.2
1925.....	2.8	3.5	3.0
1926.....	2.7	3.6	3.2
1927.....	2.7	3.8	3.3
1928.....	2.8	3.7	3.2
1929.....	2.9	3.6	3.4
1930.....	2.9	3.8	3.5

Since 1921 and 1922 there has been a decline in the actual costs of operating the Federal Government, a decline in total expenditures—which include refunding operations and investments—and a decline in total net taxes. Operating costs dropped a cool billion dollars in 10 years. "Taken as a whole," says Doctor Willoughby, "this showing can not but be deemed to be very creditable to those having direct responsibility for the conduct of public affairs." He is right. It is a remarkably good showing. Figures on this refined basis are not available for 1931 and 1932, but in view of the hue and cry for economy and balanced budgets, I think it extremely probable that operating costs have not increased to any extent in these years. Total expenditures, on the other hand, are probably mounting, due primarily to the investment in the Reconstruction Finance Corporation. This is a capital, not an operating outlay. Theoretically the loans which the Reconstruction Finance Corporation advances will some day be paid back. (Personally I believe that some of them are already decomposed beyond resuscitation, but that is for the future to decide.)

Doctor Willoughby is probably the outstanding authority on Federal Budget and financial analysis in the country. Frankly I do not see how his unimpeachable figures help the tax deflationists, in their campaign to scare us to death with mounting Federal costs. There have been no mounting Federal costs in the past decade, but the reverse. Furthermore, from 1919 to 1931, the national debt was reduced almost \$10,000,000,000, or at the rate of more than \$800,000,000 a year.

The economy gentlemen, furthermore, have been careless about their accounting. Mr. Baruch claims a \$15,000,000,000 cost of government in 1932. He can only mean total expenditures, but the impression he gives is total taxes—" \$15,000,000,000 which must be taken out of a probable income from wealth-producing effort of \$45,000,000,000." Total taxes, direct and indirect, in 1932, will not reach \$10,000,000,000, in my opinion, and in any event will be far short of \$15,000,000,000. Expenditures may or may not reach \$15,000,000,000. The difference between total expenditures and taxes, as Doctor Willoughby so painfully worked out, is made up of capital outlays, loans, refunding operations and the like. Mr. Baruch and his friends lump operating costs and capital outlays together to make an impressive total. In 1932, national and local governments are borrowing, respectively, from the Reconstruction Finance Corporation, for public works, for unemployment relief, for operating deficits. The first is theoretically self-liquidating, the second is a capital outlay—the sort of expenditure which no business ever dreams of classing with operating expenses—the third and fourth are operating costs which must be met out of future taxes, but which are not a load—save for interest charges—on the taxpayer to-day. Such loans come from national savings, even from hoardings, not from current national income.

In 1919 Federal expenditures alone were some nineteen billions. Would Mr. Baruch claim that this was part of the tax burden for the year? Most of it was met by Liberty bond sales. Well, we are in another war now, a war against starvation, and the Government is repeating the 1919 financial formula, though on a far more modest scale.

#### TAXES AND THE BUSINESS CYCLE

Up to the time when the current depression became acutely painful, there were no vociferous economy leagues, and no outcries against the "crushing burden of taxation"—save from those congenial rugged individualists who sit in club windows year in and year out, chanting, with just a touch of monotony, that the world is going to the dogs. Indeed, as we have seen, there was really very little to cry out about. In 1931 and 1932 taxes—though not Government expenditures—have possibly even declined a little. But—and here we come to the point—they have not come down so fast nor so far as wheat, hogs, rubber, coffee, copper, and gents' furnishings; not nearly so far as wages.

In the downswing of the business cycle three classes of things refuse stubbornly to join the dive to the center of the earth: (1) Interest and long-term leases, (2) public-utility rates, and (3) taxes. While raw materials, wholesale prices, security prices, profits, wages, retail prices, go over the precipice, one after another, the bondholder, the landlord with a long-term lease, the utility companies, and the Government cling to the side of the cliff. Interest and leaseholds, which may be in the aggregate 15 per cent of the national income when the latter is one hundred billions, leap to 30 per cent when it gurgles down to fifty billions. Similarly taxes, which may be 10 per cent, climb to 20 per cent. Furthermore, as prices fall, the interest dollar and the tax dollar themselves grow heavier.

The Nation becomes acutely aware of the painful implications of fixed charges. When the command is "down," they stiffly stand up. It is true that all have been forced down a little—through repudiations, bankruptcies, disposessions of tenants, inability to pay taxes on the part of many farmers—but the net decline has not been great. Out of a total bonded and mortgage indebtedness of some two hundred billions, Mr. Lawrence Dennis estimates a shrinkage due to repudiation of only ten billions for the depression to date.

The reason for the lamentations on the part of our best people now moves sharply into focus. Their incomes have steeply receded while their taxes have remained practically at par. Their coal bills and chauffeurs' wages have come down while their property taxes and assessments have not. On the profit-and-loss account of nearly every business enterprise, taxes, together with interest and long-term leases, stand armored against the pruning to which all other items of outgo have been rigorously subjected. (Taxes on income recede with income—unless rates are drastically raised—but other forms do not. The really tremendous decline in income taxes seems to have escaped the notice of the Economy Committee altogether.) The drive for the deflation of taxes is thus clearly a phenomenon of the current downswing of the business cycle, and not a cumulative historical grievance. It is safe to say that if normalcy came coyly dancing in to-morrow, the overworked secretaries of these busy leagues would be presently out of their jobs.

In the present impasse we can readily see the point of view and sympathize with it to a degree. A somewhat puzzling factor initially, however, is that we hear so little about fixed charges other than taxes. The burden of interest has grown even faster than total consumer expenditure in the past 10 years and constitutes from many points of view, particularly the farmer's point of view, a more ominous threat than taxes. I have yet to hear any organized clamor against the fact that railroad rates, telephone charges, power and light rates, gas bills, remain largely undiminished. And how about long-term leases? I audit a company in New York paying, on a 10-year lease, \$4 a foot for office space. Across the street we are offered far better space in a brand-new building for \$1 a foot. But, squirm and wriggle as we may, so far we have been helpless.

Why pick on taxes? Well, I will tell you why. Our best people are by definition members of the creditor class. They hold the bulk of the two hundred billions of bonds and mortgages; they hold the long-term leases, the stock in the railroads and public

utilities. It would hardly do for them to cavil at their major sources of income. So, with the utmost logic and consistency, they concentrate the attack on the one fixed charge which does not appear on both sides of their balance sheets. (They may wake up some day, however, to find that it does.) This is all right for them, but is it all right for the rest of us? How will the deflation of taxes affect the common run of citizens? What will it do to the economic system as a whole?

#### WHAT DO WE GET FOR OUR TAXES?

We remember that Doctor Willoughby pointed out in strong terms the illogic of the notion that an increase in taxes was *per se* an evil. It is as absurd as holding that increases in health services or education are *per se* an evil. It all depends on what you get for your money.

We should also remember that the tax-deflation drive is engineered chiefly by men who still live in the nineteenth century, that period when the most important thing in life was to save, invest, produce, conquer a virgin continent; men who have never grasped the implications of the twentieth century with its ever-widening gap between purchasing power and technological advance. Fifty years ago there was something to be said for the idea that government expenditures were largely nonproductive and hence wasteful from the business point of view. To-day that idea has passed into limbo. With a capital structure built vastly in excess of the available purchasing power, government expenditures, so far as they can put purchasing power into circulation, may be vital not only to society at large but to business itself. This increasingly obvious deduction the good Victorians have never made.

Suppose for the moment we assume that government costs are in the nature of an extravagance and a luxury; have the elder statesmen ever paused to consider the phenomenal increases in other luxury trades in recent years? While taxes moved sluggishly forward after 1922, motor-car expenditures jumped from 5.9 billions to 11.4 billions by 1929—a gain of 93 per cent. The greater proportion of this traffic is a pure, pleasurable luxury. The drink and narcotics bill in the same period increased 81 per cent; jewelry and gadgets 44 per cent, personal adornment (chiefly beauty parlors and cosmetics) 81 per cent (figures from the Doane-Jordan study cited before). Is it soberly held that expenditures for luxuries and gimcracks of this nature are wise and fruitful while governmental expenditures are wasteful and pernicious? The protesting gentlemen seem to have lost a sense of proportion. Incidentally, our total recreation bill, private and commercialized, is about equal to our total tax bill. We spend as much for fun as for running the Government.

Well, what do we get for our taxes? For local taxes we get primarily schools, roads, police protection, and the services necessary to keep people from trampling one another to death in the congestion of great cities. By and large I think these fully as important as chewing gum or beauty shops. For our national taxes we get primarily an Army and a Navy. Whether this service is important depends on one's point of view.

We have no conception—unless we stop to think for a moment—of how the automobile, electric traction, and the elevator have demanded an enormous increase in Government expenditure in the departments of road building, traffic regulation, water supply, fire protection, sanitation, health protection, and congestion antidotes generally. Without these antidotes Megalopolis would go to pieces in half an hour. They are a stark matter of life and death to city populations. To talk of abolishing them is suicidal nonsense; even trimming them is dangerous business, not to be undertaken without the most exhaustive analysis.

In addition, the Government furnishes many other things which I, a hound for waste, find difficult to place in the category of economic extravagance and loss. Here, for instance, are playgrounds, parks, recreation facilities, child welfare, the Postal Service, the Bureau of Standards, the constructive work of the Department of Agriculture, the Forest Service, the administration of justice, the pure food and drug control, the census, the Geological Survey, the Bureau of Labor Statistics, the Coast Guard, the Library of Congress, the Federal Trade Commission—where once upon a time I labored for four years. Such services—only a small fraction have been named—not only represent sounder economic activity than cosmetics and Rolls Royces, but some of them represent activities absolutely indispensable to the public and to business itself, in a complicated interlocked machine civilization. It was all very well to confine Government to police power, national defense, and the currency in 1832, when every local community was largely self-supporting. To wish to do so to-day is an impossible nostalgia. We can not function as a Nation without extensive social expenditures.

But the attack on the veterans is, I fear, only the spear point for a general onslaught upon Government expenditure as such. The National Economy League, for instance, lists elimination of all unnecessary Government expenditures as its prime objective and the veterans' subsidy as its first specific objective. If wholesale progress is made with the major objective, we may see all kinds of social legislation, health and recreation services, vital public-works programs, bureaus of standards, children's bureaus, public-employment agencies, educational and research work hamstrung and crippled for years to come, while expenditures for personal adornment and narcotics and drink will pursue their businesslike advance. Already education, health, and research have begun to suffer seriously. Indeed it is quite possible that many of these cardinal Government functions will be quietly starved out, while the war heroes

work their feet ever more firmly into the trough. Follied by the strong political trenches of the veterans, the elder statesmen will take what satisfaction they may by sniping operations in health and social legislation.

#### THE BALANCE WHEEL

Finally we come to the basic problem of Government thrift and economy in a period of serious deflation. Admirable as the elimination of waste may be in the abstract, it is a question how far governments should prune their budgets—which always means throwing men and women on the street—at a time when upwards of one-quarter of the normally "gainfully employed" are totally unemployed. Is the present the psychological moment for drastic Government retrenchment? Faced with a like question in England, Mr. J. M. Keynes, perhaps the world's foremost economist, has this to say: "If we carry 'economy' of every kind to its logical conclusion, we shall find that we have balanced the budget at naught on both sides, with all of us flat on our backs starving to death from a refusal, for reasons of economy, to buy one another's services. Economy is only useful from the national point of view in so far as it diminishes our consumption of imported goods. For the rest its fruits are entirely wasted in unemployment, business losses, and reduced savings."

It so happens that the Government is the one employer in a time of tragic deflation which can carry its force; by means of public works it can even add to its pay roll. No private business can afford to do so. The Government is the one hope of maintaining purchasing power. It can, if it must, borrow and inflate; it can order a capital levy; it can step up tax rates upon incomes and inheritances in the higher brackets. That such action connotes a certain risk is manifest, but emergencies require drastic remedies. Says Mr. Keynes:

"The idea that a public-works program represents a desperate risk to cure a moderate evil is the reverse of truth. It is a negligible risk to cure a monstrous anomaly." And again: "To bring up the bog of inflation as an objection to expenditure [by the State] is like warning a patient who is wasting away from emaciation of the dangers of excessive corpulence." Prosperity can never be restored by spending less but only by spending more.

When the State spends money for operating expenses or public works, it at least secures something for its outlay. A rigid program of economy might so far shatter purchasing power and provoke unemployment that the dole, naked and wholesale, would be the only substitute for revolution. With the dole the State secures nothing useful whatever for its money. But for its own preservation it may have to pay the dole, not only to unemployed veterans but to all unemployed. Something for something is a sounder economy program than something for nothing.

Granted that this balance-wheel argument is well founded, what if we simply can not pay our taxes? Uncounted thousands of farmers can not pay them to-day, nor can a good many city folks. If we can not pay them, we can not pay them. The Government, however, can still carry on by stiffer income taxes plus loans, plus inflation of the currency. This is precisely what we did in the war. Economy, admirable as it may be in theory, has the clear possibility of making the depression worse—precisely as wage cutting made it worse. Do we want to do this; do we want to reduce Government expenditure at the risk of further reducing purchasing power, which will result, among other things, in a still smaller fund with which to pay taxes? This is the real question which the tax deflationists must face. They certainly have not faced it yet. They have looked at only one side of the equation.

From the longer point of view, a program of rigid Government economy may turn out to be a mistake of the first order. The one major means for balancing the tipping scales between production and purchasing power in the years before us is quite possibly Government employment—particularly in the public-works division. Industry has solemnly guaranteed to produce the same output with increasingly fewer men. In some modern automatic plants there is not a human being in the factory. Machines, directed by remote control, do the entire job themselves. Mr. Howard Scott estimates that if we return to the 1929 level of output we can absorb only 55 per cent of the present unemployed, so great has been the march of efficiency and labor-saving devices during the depression.

What do you propose to do with the other 45 per cent, Mr. Down-with-Government-Activity? It is distinctly conceivable that there may be just three things you can do with these men and women—give them useful work in public employ, put them upon the dole, or chloroform them.

#### BANKING ACT

The Senate resumed consideration of the bill (S. 4412) to provide for the safer and more effective use of the assets of Federal reserve banks and of national banking associations to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes.

Mr. VANDENBERG. Mr. President, the Senate has now amended the branch-banking section of the pending bill to provide that the branch-banking privilege so far as national banks are concerned shall follow the status established by State law in respect to the State privilege. I have a schedule which briefly summarizes the State status in

respect to this problem in the 48 States; and inasmuch as this phase of the matter is of great importance in the interpretation of the proposed law, I ask that it may be printed in the RECORD.

There being no objection, the matter was ordered printed in the RECORD, as follows:

*Branch banking*

States permitting state-wide branch banking	States permitting branch banking within limited areas	States prohibiting branch banking	States having no legislation regarding branch banking
Arizona. California. Delaware. Maryland. North Carolina. Rhode Island. South Carolina. Vermont. <sup>9</sup> Virginia.	Georgia. <sup>1</sup> Indiana. <sup>2</sup> Iowa. <sup>3</sup> Kentucky. <sup>4</sup> Louisiana. <sup>5</sup> Maine. <sup>6</sup> Massachusetts. <sup>7</sup> Michigan. <sup>10</sup> Mississippi. <sup>11</sup> Montana. <sup>12</sup> New Jersey. <sup>13</sup> New York. <sup>14</sup> Ohio. <sup>15</sup> Pennsylvania. <sup>16</sup> Tennessee. <sup>17</sup> Wisconsin. <sup>18</sup>	Alabama. Arkansas. Colorado. Connecticut. Florida. Idaho. Illinois. Kansas. Minnesota. Missouri. Nebraska. Nevada. New Mexico. Oregon. Texas. Utah. Washington. West Virginia. Total, 18.	New Hampshire. North Dakota. Oklahoma. South Dakota. Wyoming.          Total, 5.
Total, 9.	Total, 16.		

<sup>1</sup> City or municipality.

<sup>2</sup> Same county.

<sup>3</sup> "Office" to receive deposits and pay checks permitted in contiguous counties if no bank is located in city or town in which such office is proposed to be located.

<sup>4</sup> No provisions regarding branches; but court decisions permit establishment of additional offices or agencies to receive deposits and pay checks.

<sup>5</sup> By force of law, this State has branch banking although not specifically granted by legislative enactment.

<sup>6</sup> Same municipality or parish.

<sup>7</sup> Same county or adjoining county.

<sup>8</sup> Same town.

<sup>9</sup> No provisions regarding branches, but state-wide establishment of "agencies" permitted.

<sup>10</sup> "Industrial banks" may establish branches in city or village of head office; but no provisions covering establishment of branches by other banking institutions.

<sup>11</sup> Same city.

<sup>12</sup> Consolidated bank may operate offices of consolidating banks if in same or adjoining counties.

<sup>13</sup> Same city, town, township, borough or village, and where institutions located in same county have merged, at the locations of the offices of merged institutions in such county.

<sup>14</sup> City limits.

<sup>15</sup> Same city, or city or village contiguous thereto or county or counties in which municipality containing main bank is located.

<sup>16</sup> Corporate limits of same place.

<sup>17</sup> County in which principal office is located and principal banking business is carried on.

<sup>18</sup> Same city, at location of closed bank; and "stations" with limited functions in places deprived of banking facilities in same county.

*Statistics respecting the banking facilities of the country, with particular reference to bankless communities which may not be served except by branch facilities, as of July 1, 1932*

UNITED STATES

12,912 towns with banks:	
Banks.....	19,163
Banks and branches.....	22,327
9,518 towns with 1 bank.....per cent.....	73.72
2,272 towns with 2 banks.....do.....	17.59
11,790 towns with 1 or 2 banks.....do.....	91.31
1,122 towns with 3 or more banks.....do.....	8.69
12,912 towns with banks.....do.....	100

Towns that became bankless during the last fiscal year, July, 1931, to July 1, 1932, 1,373 (1 year only).

Mr. KEAN. Mr. President, I ask unanimous consent that the Senate consider the pending Glass bill section by section instead of debating it as we have heretofore.

The VICE PRESIDENT. Is there objection?

Mr. GLASS. Mr. President, I hope the Senator will not persist in that request. My own desire is to have the outstanding controversial features of the bill passed on first, in order that it may not be necessary for me to devote my entire time to the bill, and so that I may get some aid from other members of the committee, certainly with respect to the amendments of minor character.

Mr. KEAN. Mr. President, if the Senator from Virginia does not accept my suggestion, I will withdraw it.

The VICE PRESIDENT. The bill is before the Senate and open to amendment.

Mr. GLASS. Mr. President, it is my purpose to ask unanimous consent that the Senate first consider those provisions of the bill which seem to be seriously controversial, such as the one eliminating the Secretary of the Treasury from the

Federal Reserve Board; next, the one as to the liquidating corporation, for which provision I have filed a proposed amendment which we had hoped would avert any controversy on that score; and, third, the provision affecting affiliates. With these questions determined, I think we may make very rapid progress with the bill, as most of the other amendments, so far as I have been able to examine them, are of a minor nature.

Mr. LONG. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Virginia yield to the Senator from Louisiana?

Mr. GLASS. I yield.

Mr. LONG. I was just fixing to call up my amendments in the order the Senator has suggested—first, my amendment proposing to retain the Secretary of the Treasury on the board. Is not that what the Senator suggested as the first amendment?

Mr. GLASS. Yes. I ask unanimous consent that those three amendments to the bill be considered in the order I have named.

The VICE PRESIDENT. Is there objection?

Mr. BULKLEY. Mr. President, I suggest to the Senator from Virginia that the general subject of investment security business be considered as third in order rather than the question of affiliates, which is simply an incident of the other.

Mr. GLASS. Of course, I meant to comprehend the whole problem.

Mr. BULKLEY. I thought the Senator so intended, but I was not sure that his statement made that clear.

Mr. GLASS. Yes; that was my intention.

Mr. THOMAS of Oklahoma. Mr. President, reserving the right to object, I understand that unanimous consent was refused to take up this bill section by section, and, that being the case, I see no advantage to be gained by taking it up by section here and a section there. For that reason, I object.

The VICE PRESIDENT. Objection is made by the Senator from Oklahoma.

Mr. LONG. Mr. President, I send to the desk an amendment and ask that it may be read and considered.

The VICE PRESIDENT. The amendment will be stated.

The CHIEF CLERK. On page 10, line 5, it is proposed to strike out "seven members, including" and insert in lieu thereof "eight members, including the Secretary of the Treasury and."

Mr. LONG. Mr. President, I offer the amendment as first in the order the Senator from Virginia requested. I intend, if I shall secure the floor, to offer more or less in the order the Senator has suggested three or four other amendments. I have sent to the desk and the clerk has read the first of these amendments. This amendment retains the Secretary of the Treasury of the United States on the Federal Reserve Board. The bill as reported by the committee reduced the Federal Reserve Board from eight to seven members and took off the board the Secretary of the Treasury.

Mr. President, I was going to offer an amendment to put the Secretary of Agriculture on the board and increase the number of its members to nine, but observing that the committee has reported in favor of taking the Secretary off the board and reducing the number to seven members, I concluded that I would be satisfied with a compromise, which would not put off the board an official of the Government, but leave on the official of the Government who is there at this time.

There is now an additional reason, Mr. President, why the Secretary of the Treasury should be kept on the board. If this bill should become a law as it is now written—and I hope to amend it—a considerable amount of money would be taken out of the Treasury of the United States that now goes into the Treasury, and would be given to this banking organization. We are taking out of the Treasury \$125,000,000 to start with. The Government, according to the terms of this bill, is waiving the franchise tax, which in 1930 amounted to \$60,000,000 and in 1931 amounted to \$59,000,000. With the coming of hard times the amount

gradually began to fall, but we are giving to this concern \$125,000,000, to start with, and we are taking the franchise tax on the excess earnings above 6 per cent which are now going into the Treasury of the United States, and giving them to this organization. Whether we do that or not, Mr. President, we ought not to take the Secretary of the Treasury off the Federal Reserve Board.

Mr. LOGAN. Mr. President—

The VICE PRESIDENT. Does the Senator from Louisiana yield to the Senator from Kentucky?

Mr. LONG. I yield to the Senator from Kentucky for a question.

Mr. LOGAN. If the newspaper reports be true—and I have no reason to doubt them—I assume that the purpose of the Senator from Louisiana is to place the Senator from Virginia on the Federal Reserve Board for the next four or eight years. That would be the effect of the Senator's amendment, would it not, if newspaper reports be true?

Mr. LONG. Yes, sir; that is one of its bad features, according to the Senator's way of looking at it and mine, and the Senator from Virginia. The Senator from Virginia, if the newspaper reports be true, does the unusual thing of recommending himself for retirement. But I think, Mr. President, that at this time above all others—at no time, for that matter, would I favor it, and particularly not at this time—the Secretary of the Treasury should not be taken off the Federal Reserve Board.

The Government is giving enlarged powers to the Federal Reserve Board; it is empowering them far beyond what they can do now under the law as it has been up to this time. We are giving the Federal reserve system money which the Government is getting to-day and which it has to-day; and when we are increasing the power of the board and raking the Government Treasury in order to make this more of a Government agency, the worst thing we could possibly think of doing would be to undertake to take the Secretary of the Treasury off the Federal Reserve Board and make the board more of a private concern than it now is.

The trouble with this board to-day is that it is not close enough to the Government and to the people of the United States. That is the trouble with the board to-day. Unfortunately, as the Senator from Virginia has aptly illustrated here on the floor in his debate, the board to-day has allowed these banking facilities of the United States to be used for the exploitation of the private interests. It has not kept its functions close enough to the welfare and to the interests of the people, but it has gone far afield in promoting private and foreign speculations and flotations, beyond any intent or purpose of the Federal reserve act—I hope beyond the purpose of the Federal reserve act—at the time of its enactment.

For that reason, Mr. President, and for the other reasons which appear on the surface, we, above all things, ought not to begin to centralize the finances of this country further away from the interests of the people. On the contrary, this bill would be far better if instead of taking off one member of the Federal Reserve Board, instead of taking off the Secretary of the Treasury, we were adding two or three more officials of the United States Government to this powerful board, in order that it might keep more in touch with the will and needs of the people, rather than to have us begin to make it more and more a private institution.

I am sorry the Senator from Virginia is not here to listen to me at this time.

Mr. ROBINSON of Arkansas. Mr. President, will the Senator yield?

Mr. LONG. Yes, sir; I yield to the Senator.

Mr. ROBINSON of Arkansas. The Senator from Virginia was necessarily called from the Chamber. He will return in a few minutes.

Mr. GLASS entered the Chamber.

Mr. LONG. The Senator from Virginia has returned now, and I ask his attention. I understand—and I hope correctly—that the Senator from Virginia will not seriously oppose putting the Secretary of the Treasury back on this

board, because his removal would take the board far away from the Government at this time in such a way that it would make the bill far more objectionable, I am sure, than the Senator from Virginia wants to make it to many of those who would like to see remedial legislation passed at this session of Congress.

I had hoped that the Senator from Virginia would see fit to yield to this amendment.

Mr. SHIPSTEAD and Mr. GLASS addressed the Chair.

The VICE PRESIDENT. Does the Senator from Louisiana yield; and if so, to whom?

Mr. LONG. I yield to the Senator from Minnesota. Then I will yield to the Senator from Virginia.

Mr. SHIPSTEAD. Mr. President, I do not know the reasons for taking the Secretary of the Treasury off the board. I should like to have the Senator from Virginia tell us why he wants the Secretary of the Treasury off the Federal Reserve Board; but, meanwhile, I should like to ask the Senator from Louisiana if he thinks the activities of the Secretaries of the Treasury have had the effect of raising the standard of service of the Federal Reserve Board.

Mr. LONG. I will answer that question by saying that the Secretary's activities should have had that effect. The fact that we have had recalcitrancy in the office of the Secretary of the Treasury is no excuse for not expecting more efficient service under the incoming administration. He should have rendered service. He was in position to have rendered service to the people of the country; and the fact that he carried along more or less with the privately appointed members of the board is no reason for divorcing the Government farther away from the board.

Mr. SHIPSTEAD. If the Senator will yield for just an observation, I will say that my understanding is that the things of which the Senator from Louisiana complains have been done by and with the consent, if not upon the initiative, of the Secretary of the Treasury.

Mr. GLASS. Mr. President—

The VICE PRESIDENT. Does the Senator from Louisiana yield to the Senator from Virginia?

Mr. LONG. Yes, sir; I yield to the Senator.

Mr. GLASS. If the Senator will permit me, I will say, in response to the inquiry of the Senator from Minnesota, that I have tried twice, rather exhaustively, to explain to the Senate just exactly what the committee had in mind when it provided that the Secretary of the Treasury should not be a member of the Federal Reserve Board. It is my misfortune that the Senator from Minnesota was not present in the Senate Chamber to hear what I had to say on that point.

I stated that it was the view of nearly every recognized publicist and political economist that the Secretary of the Treasury should not be upon the board. That has been the view of the board itself, for the reason that the Secretary of the Treasury has an undue influence upon the activities of the board, and constrains it to adapt its policies to the requirements of the Treasury rather than the requirements of the business of the country.

The Federal reserve system, as I have stated over and over again, was set up to minister to the wants of agriculture, commerce, and industry, and not to control the money market, and not to be a bureau within the Treasury. Textually, it is not a bureau within the Treasury; but my own experience as Secretary of the Treasury and my observation since convince me that the Federal reserve system is used in an unwise way by the Treasury and under the dominance of the Secretary of the Treasury.

I confess myself unable to comprehend what the Senator from Louisiana means by "the privately appointed members of the board" and by his suggestion that the omission of the Secretary of the Treasury would deprive the public of some interest in the activities of the board. As a matter of fact, the board is a Government institution. The members are all appointed by the President of the United States. Any one of them may be removed at any time by order of the President of the United States in writing. That is true of the Secretary of the Treasury as well as of what we speak of as the appointive members of the board. That is

true of the Comptroller of the Currency, who is usually designated by the Secretary of the Treasury.

So that it is not a private board. It is a Government board in any event; and the whole purpose of the committee was to respond to the insistent view of the best experienced bankers in this country and the recognized publicists who have written on the subject that the Secretary of the Treasury should not be a member of the board. No Secretary of the Treasury has objected to the suggestion; and, of course, I entertain the conviction arrived at by the committee and shall ask the Senate to eliminate the Secretary of the Treasury from the board.

My colleague on the committee, the Senator from Florida [Mr. FLETCHER], calls my attention to the fact that I omitted what I imagine Senators understand—that so far from this being a private board, it is appointed by the President subject to the consent and advice of the Senate of the United States.

Mr. LONG. Mr. President, it does not make any difference if it is. We all know that; but this is supposed to be a governmental institution. It is a fact that the Secretary of the Treasury should be a dominating factor on the Federal Reserve Board. This is an arm of the Treasury of the United States. You can not make anything else of it. The Federal reserve banking system is an arm of the financial resources, and therefore of the Treasury of the United States. You can not make anything else out of it.

Mr. GLASS. The Government does not own a dollar of proprietary interest in the Federal reserve system.

Mr. LONG. Oh, I beg the Senator's pardon! He is making the Government take \$125,000,000 to start with, and all the excess profits every year thereafter. It may not have had such an interest up to now, but it does now.

Mr. GLASS. The Senator ought to be fair. He knows that there is upon the desk a proposed amendment to that section of the bill requiring the Government to subscribe that amount to the stock of a liquidating corporation.

Mr. LONG. All right.

Mr. GLASS. And the Senator ought to know—all Senators ought to know—that the transfer to the surplus fund of the Federal reserve banks of the excess earnings, which properly should be distributed to the member banks in the judgment of a vast number of the bankers, is a large measure of permissible expansion in the currency and credits of the country, because just in that measure it enables the Federal reserve banks to respond to the requirements of the member banks, and in the same degree enables the member banks to accord credits to the business of the country.

Mr. LONG. I am not at this time going to argue what good is expected to be accomplished by that, although I do not entirely agree with the Senator from Virginia on what he said as to his conclusion; but it does not alter the fact that the United States to-day owns, in its Treasury—it is the Government's money; it is the people's money—\$125,000,000 of cold cash, gold dollars, gold being the standard at this time.

We are asked to take \$125,000,000 from the Treasury, and shut it up, and go into partnership; that is the lightest term that can be used in regard to it—the Government is to be a partner in the business.

In 1913, when the Federal reserve act was made a law, before the Government had taken a dollar out of the Treasury, the distinguished Senator in this Chamber at the time who was the coauthor of the law, Senator Owen, of Oklahoma, assisted by the distinguished Senator from Virginia, who at that time was chairman of the Committee on Banking and Currency of the House of Representatives, as is very well explained in a book written by the distinguished Senator from Virginia himself—and I read from that book here the other day, but the Senator now indicates that he has changed his mind on so many points that it is no longer authority for him, though it still is for me—took the position that the board would be too important, too powerful, too controlling an agency, vested with too much authority under the Government, ever to allow it to operate without

some surveillance from the United States Treasury Department. That was the theory at the time.

The arguments which the Senator from Virginia now makes, while I do not think correct even from a technical legal standpoint, might have applied at that time; but how can they apply to-day, when the Secretary of the Treasury is to be called upon to put \$125,000,000 into this venture? It is a venture. It is the wildest kind of a venture. It is one of the most revolutionary ventures ever proposed to be written into law. This is one of the wildest forms of banking venture. I am not saying that at this time we ought to hold that against the bill, because we will come to that point in a moment. It is one of the wildest forms of partnership the United States Government has ever been asked to go into.

The proposal is to take \$125,000,000—just a small, little slice. While there is suffering all over this country, while we are begging for a few million dollars to construct various and sundry things needed for public improvement and to give people work, showing, evidently, that there is a need for funds which we can not satisfy, we are asked to go into the Treasury to-day and to make the Government of the United States a partner in an agreement by which the United States is to put up most of the money.

This is the most wonderful partnership I have ever seen proposed with a private agency, if it is to be called a private agency in one breath by the Senator from Virginia and a Government agency in the next breath. This is one of the most wonderful ventures the United States Government has ever been let in on. It is to be made a partner by putting up the money. If I have misstated the fact, I want to be corrected. It is to be made a partner in this business, with the agreement that the United States Government will put up a large sum of money, and the Secretary of the Treasury will be kept off the board. That is the partnership proposed to be established under the agreement.

Mr. President, how much time have I consumed on the amendment? I am going to ask the same consideration others have asked and have been granted.

The PRESIDING OFFICER (Mr. Fess in the chair). The Senator has five more minutes.

Mr. LONG. I ask that the time which has been consumed by others during the time I have been speaking be not charged against my time, as has been graciously done for others who have spoken in defense of the bill. I make that request for unanimous consent.

The PRESIDING OFFICER. There is no record of the time consumed by others during the Senator's remarks.

Mr. LONG. I ask that I be granted 10 minutes in addition to my 30 minutes.

The PRESIDING OFFICER. Is there objection to the Senator having 10 additional minutes? The Chair hears none.

Mr. LONG. Mr. President, the point about the whole matter is that if the United States Government is to go into this partnership, there is far more reason why the United States Government should be 100 per cent represented on the board than there was when in 1913 the Owen-Glass Federal Reserve Act became a law.

It is proposed to contribute the money of the United States Government, out of the Treasury of the United States, \$125,000,000, in order to make the Government a partner in the venture. I say "venture" in all charity. This is at best a venture. There has never been anything like it ever heard of under the law. This beats anything we have ever had. It may be a good thing; I am not discussing that at this time, but this beats anything we have ever had before. It is more socialistic than anything ever advocated by Eugene V. Debs before he was put in jail.

Mr. THOMAS of Oklahoma. Mr. President—

The PRESIDING OFFICER. Does the Senator from Louisiana yield to the Senator from Oklahoma?

Mr. LONG. I yield.

Mr. THOMAS of Oklahoma. Does the Senator understand this is a part of the "new deal" the people are to have under the new administration?

Mr. LONG. This may be a new deal, but it is from the bottom of the deck. [Laughter.] They are not dealing the cards off the top. What is proposed here contains every device of harm ever found in socialism and none of the good.

Mr. THOMAS of Oklahoma. Mr. President, will the Senator yield again?

Mr. LONG. I yield.

Mr. THOMAS of Oklahoma. Is not this bill the first interpretation Congress is to give as to who the "forgotten man" is?

Mr. LONG. I assume it is the banker. I take it that if we are ever to find out who the forgotten apostle is from this bill, we have found him. There will no longer be any reason why anybody will have to search with a fine-tooth comb to find out who the forgotten man is. We have found out.

He is to first get \$125,000,000 out of the Government Treasury and is to be given in the future the entire returns from the franchise tax, which go to the United States Government to-day. At last we have located the forgotten man, and we are to give him \$125,000,000 of Government money, and we are going to forget him again by taking the Government representative off the board whose business has been to supervise the handling of the Government's own money. That is what this thing means.

I submit that the Senator from Virginia has been beguiled, against his own good judgment and experience, into talking about removing the Government from the picture in this manner. I submit that if there is any harm to be done here, the greatest harm that can be done is in enacting legislation which would eliminate the responsibility of the Government for the functions and actions of the Federal Reserve Board. I want the administration under the next President, and under the present President, to be chargeable with and responsible for the workings of the Federal Reserve Board. I think the conclusions of that institution rightfully ought to be loaded onto the shoulders of the administration in charge of the Government.

I do not expect anyone to dispute the contention that if there is to be a gateway through which the United States Government will assert its influence in this financial set-up it must be through that Secretary of the Cabinet having to do with the finances of the Government; that is, the Secretary of the Treasury.

Under this proposal the Federal Reserve Board would be entirely too powerful an agency, would be made so much more powerful than it has ever been before, under the amendment proposed here by the Senator from Virginia, that the board that we have had heretofore would not compare with it. Where the present board could bring about the wind, the board proposed under the Glass measure would be powerful enough to bring about the whirlwind. There is no comparison between them; and at this time to add power after power to what they have had before, and to reach down and get \$125,000,000 out of the United States Government Treasury, which the Government needs to-day to feed the starving people of this country, and then reach down and take out of the United States Treasury the surplus revenue that is coming from the excise taxes, which the United States Government has to have, if it is not to tax somebody else, and then to say we are going to socialize the institution and turn it over to private hands, and take off the board every agency that is responsible to the people of the United States as a directing officer, is going beyond any limit of fair regulation that I can imagine in such a situation.

Mr. LEWIS. Mr. President, I have not at any time during the extended debate upon the bank bill participated in any form other than by casting an occasional vote on some intercepting suggestion or amendment. There is now being reached a point in which I, in behalf of the constituency I am honored to represent, am much concerned.

I think there is a misunderstanding between the eminent Senator from Louisiana and the equally eminent Senator from Virginia. I am very much moved to recall that Dean Swift reminds us that a couple of elderly women were dis-

cussing and debating, over a line fence, a matter of serious consequence, with no conclusion, when the dean said, "How could there be a conclusion when each was arguing from different premises?" [Laughter.]

Mr. GLASS. Mr. President, which does the Senator think is the old woman?

Mr. LEWIS. I am speaking only of the premises. I will not be drawn into any sex appeal. [Laughter.]

Mr. LONG. Mr. President, I move that that be stricken from the Record. [Laughter.]

Mr. LEWIS. I do not know what my friend from Louisiana means or what he wants stricken from the Record. What does he wish to be stricken?

Mr. BARKLEY. The reference to the old women. [Laughter.]

Mr. LEWIS. I decline to designate who is who. I was alluding to Dean Swift's observation saying that these old women were arguing against each other on each side of the fence, and they could never come to a conclusion, because they were arguing from different premises. I said that I feel that the eminent Senator from Louisiana and the truly eminent Senator from Virginia have opposing premises for their adverse conclusions.

Mr. President, I wish to present a thought which greatly concerns me, as it affects the constituency I represent, if I may express its desires or its wishes. I was a part of the incidental committees which had to do with the building up of the Federal reserve act, in both 1913 and later, being a member of this body at that time. I was thrown from time to time into contact with the eminent gentlemen who made up the Banking Committee of the House and with the one of which I was a member.

Mr. President, I differ from my excellent friend the Senator from Louisiana. I pause to pay a tribute to his great sincerity in the very long discussions he has offered us and the very learned contribution he has given to these questions of banking since he began his discussion, in one form or the other, as to the features of the bill.

Mr. President, I come to the question of whether the Secretary of the Treasury ought to be a member of the Federal Reserve Board. I think there could be no greater evil perpetrated upon the great mass of the people who are called merchants, and those who are supposed to be benefited under this bill, the business men, than by putting the Secretary of the Treasury on the board. First, let us view this matter in the light of what has transpired where we have put members of the Cabinet upon other boards.

If the Secretary of the Treasury were a member of the board, and were a man of any weight and honest character, every time he had a suggestion it would be attributed to the will of the President; it would be assumed that the Secretary of the Treasury would not take any position which did not receive the approval of the President, or one but would meet that approval, and enjoy it. Under those circumstances, the other members of the board, sincere and anxious to help the administration carry out its policies, would promptly yield to the Secretary of the Treasury. The Secretary of the Treasury would be the whole board. Therefore, instead of having a board, we would have only the Secretary of the Treasury.

Now, sir, let us reverse it. Suppose the Secretary of the Treasury was a man inclined, as there have been Secretaries of the Treasury, if we accept the history of the Government, to serve certain favored interests, finding himself in harmony with them sincerely, we may say, or yielding to them through sinister influences of which we have observed too much. Then, sir, the board becomes wholly ineffective in the hearts of the people because it surrenders to the Secretary of the Treasury who is serving the interests which are directly opposed to those interests which the board has created to properly preserve.

We take the last of the triangle. Supposing, on the other hand, the board should find it convenient to oppose the Secretary of the Treasury in any viewpoint he had, he being an honest official, he would be overrun by the board and the board would dominate over the Secretary of the Treasury by

the votes being so largely in the majority. The Secretary of the Treasury, therefore, would be voiceless and powerless. The result would be that, far from being of any benefit in supervising any matters, he would have been wholly subordinated and his influence destroyed.

The last thought that reaches me, sir, is the thought that the Secretary of the Treasury ought to be in an impartial position, where he may express himself as to the action of the board, either, while it is proceeding, in the way of admonition or advice, or, after it has proceeded, in the form of an honest protest. He ought to be in a position so impartial that his protest would be properly treated by the banks and business men and likewise by this honorable body which supervises that board. He should be left and continued in the exact position of an impartial arbiter. It will be a dangerous thing, as I see it, for the business of the community, the merchant, the manufacturer, and the banker, if we are going to start out with that sort of bureaucracy which we have had from time to time condemned on this floor under the present administration. We can not make the Secretary of the Treasury a part of this board without creating again that form of bureaucracy by which he either dominates the board as Secretary of the Treasury or as Secretary of the Treasury is dominated by an outside influence.

For that reason I can not accept the thought of my eminent friend from Louisiana that it would be a benefit to put the Secretary of the Treasury on the board. I feel that for the banks of the State of Illinois, speaking for them at this moment, for the institutions that are interested here, there ought to be a court to which an appeal can be made that is in itself wholly impartial and can deal with the board in a perfectly free hand without being so manacled and bound by the vote of the board against him as to leave him powerless to protect in an impartial manner the interests committed to his keeping.

For that reason and for the others which I have dared to assume to mention, I feel that the Secretary of the Treasury should not be a member of the board but the board should be an appointive body supervised by the Secretary of the Treasury to the extent that he is allowed, then by the Senate, and as a separate board proceed upon its business as a mere executive agent of the Government.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Louisiana [Mr. LONG].

Mr. BULKLEY. I demand the yeas and nays.

Mr. THOMAS of Oklahoma. Mr. President, I rise in support of the pending amendment. When that amendment shall have been disposed of and during the course of the further consideration of the bill I propose to offer five amendments.

The first amendment that I shall propose is one striking out section 19, as amended, but I prefer that that amendment be not offered to-day for this reason: The United States Chamber of Commerce has taken a poll of the chambers of commerce of the United States. That poll closes to-day. The returns will be in to-night. The chamber of commerce officials advise me that they will work all night to-night in order to tabulate the result of that poll. If that is done, then to-morrow we will have the benefit of the poll. I am going to try to see if I can get an agreement at the proper time, if necessary, to delay the vote on the amendment to strike out section 19 until the Senate can be advised of the result of that nation-wide poll.

Mr. BARKLEY. Mr. President—

The PRESIDING OFFICER. Does the Senator from Oklahoma yield to the Senator from Kentucky?

Mr. THOMAS of Oklahoma. I yield.

Mr. BARKLEY. Not that it will have any influence one way or the other, but upon what question is the poll taken?

Mr. THOMAS of Oklahoma. It is a poll taken by the United States Chamber of Commerce on a series of questions submitted to the local chambers of commerce throughout the United States as to branch banking.

Mr. BARKLEY. Is that questionnaire or referendum submitted on the basis of section 19 as it now exists or as it was originally contained in the bill?

Mr. THOMAS of Oklahoma. Of course, it is submitted on the basis of the bill as originally written.

Mr. BARKLEY. A poll taken on that question, which is entirely eliminated from the bill now, would not be very appropriate for our consideration, would it?

Mr. THOMAS of Oklahoma. I disagree with the conclusions reached by the distinguished Senator from Kentucky. The pending bill is the beginning of branch banking, and I do not care if it is limited to one State. As the amendment now stands, it is limited to eight or nine States. If Congress approves branch banking in any degree, we shall have branch banking in those States where the law authorizes branch banking. Then the power there will be concentrated as much as possible. There will be two influences at work then, one to go into the States that do not permit branch banking and get the local legislatures to enact laws enabling branch banking to be extended under this law into such States. The second influence will be that sooner or later there would be enough Senators and Representatives in the Congress from States where branch banking is permitted that they will extend this law to cover the entire United States. For that reason and with that interpretation and with that understanding I am opposed even to giving branch banking a foothold or giving it a little place to start in the United States.

Mr. BARKLEY. I understand the Senator's position. He is opposed to branch banking in any form under any circumstances at any time. I appreciate the Senator's sincerity about that position. I do not care to enter into an argument over that question at this time. But I am wondering what value a poll taken by the Chamber of Commerce of the United States among small chambers of commerce all over the country with reference to section 19 of the Glass bill, which has been entirely changed and rewritten by the provisions which have been adopted here last Saturday, will have in determining what our attitude is to be, if it has any influence whatsoever, on the section as now rewritten?

Mr. THOMAS of Oklahoma. I can readily understand it would have none on those who reported the bill with the branch banking clause in it.

Mr. BARKLEY. It would really not be a reflection of the sentiment of the boards of trade or chambers of commerce with reference to the section as it is now amended, would it?

Mr. THOMAS of Oklahoma. It would be for whatever benefit Senators individually cared to derive from it.

Mr. BARKLEY. I do not know whether we can reach a vote on the bill aside from that, and I am not arguing whether we should postpone consideration of the section until to-morrow, but frankly I fail to see just what assistance a poll on a section that is now out of the bill would be in determining how we should vote on the section as it now stands in the bill.

Mr. THOMAS of Oklahoma. The next amendment I shall offer will be to strike from the bill that section which authorizes branch banking in our possessions and dependencies.

I shall offer a third amendment to strike from the bill the paragraph or section providing for a liquidating corporation.

I shall offer as three new sections of the bill a proposal providing, as I think, for expansion or reflation of the currency.

I then propose to offer two other amendments, provided no other amendments are offered on the same subject matter.

Mr. President, I have not used a moment of the time of the Senate that I did not think necessary. I make the statement now that I shall not during the discussion of the bill use a single moment or make a single statement that I do not think necessary. I have taken no time of the Senate in what might be termed a filibuster. Of course, I think Sena-

tors know I am against the branch banking feature of the bill.

Mr. President, the remarks I submitted on a former occasion were to call the attention of the Senate and the Congress to conditions which exist throughout the country. Having done that, I shall take but little further time on that proposition. During further discussion I shall present some arguments which appeal to me to be unanswerable in opposition to branch banking.

I realize that financial legislation is the most important legislation that can come before the Congress. In my judgment, legislation having to do with money and credits is far more important than all other classes and forms of legislation. The few men who control the money in circulation and who can control credits have their hands in the pockets of every man in the United States. They have their hands in the pockets of every person who has pockets, not only in the United States but throughout the world where money circulates. These few men are the agents of the Congress. Their policies are fixed by Congress.

The Federal Reserve Board controls the Federal reserve banks. The Federal reserve banks control the amount of money in circulation and control the amount of credits that exist. The Federal reserve banks have under their control the monetary gold in the main that we have in these United States. We have about \$4,500,000,000 of monetary gold, but that is 4.5 elevenths of all the monetary gold in the world. The power that controls that gold controls the price and buying power of the monetary gold in the world. I make the statement that those who control the finances of the country control the buying power of the currencies of the other nations of the world.

Mr. President, before I proceed further I want to invite attention of the Senate to the authority by which I speak. I have here a telegram which purports to recite the text of a concurrent resolution adopted by my own State legislature. I will read the resolution embodied in the telegram, as follows:

OKLAHOMA CITY, OKLA., January 16, 1933.

HON. ELMER THOMAS,

United States Senate, Washington, D. C.:

Enrolled Senate Concurrent Resolution 9 (by Nichols, Fidler, and MacDonald, of the senate, and Grisso and Duke of the house)

A resolution urging upon the Hon. ELMER THOMAS and the Hon. THOMAS P. GORE, United States Senators from Oklahoma, the necessity for immediate expansion of the currency

Whereas the deplorable condition of the financial structure of the Nation calls for drastic action; and

Whereas currency is the lifeblood of commerce and is now so cornered, depleted, and withdrawn from circulation as to withdraw all the lifeblood from the body of commerce: Now, therefore, be it

*Resolved by the Senate of the State of Oklahoma (the House of Representatives concurring therein).* That this body do urge upon the Hon. ELMER THOMAS and the Hon. THOMAS P. GORE, United States Senators from the State of Oklahoma, the necessity for immediate expansion of the currency; be it further

*Resolved,* That copies of this resolution be sent immediately by telegraph to both of the above-mentioned United States Senators from the State of Oklahoma.

Passed by the senate this the 13th day of January, 1933.

ROBERT BURNS,

President of the Senate.

Passed the house of representatives this the 13th day of January, 1933.

TOM ANGLING,

Speaker of the House of Representatives.

R. A. SNEED,

Secretary of State.

To that telegram I sent to both houses of my State legislature the following answer:

JANUARY 17, 1933.

HON. ROBERT BURNS,

President State Senate,

State Capitol, Oklahoma City, Okla.:

I have your message embodying Senate Concurrent Resolution No. 9, and will read same into CONGRESSIONAL RECORD in connection with my speech favoring expansion of currency. Economic situation throughout entire country is most acute. The President is suggesting easy bankruptcy as a way out. Many bills pending proposing Federal loans to people to meet debts, pay interest and taxes, such proposed remedies being only temporary. No perma-

nent relief possible save adoption some plan to reduce value of dollar, either by expansion of currency or going off gold standard or reducing gold content of present dollar. Believe unnecessary to reduce gold content or go off gold standard, hence am standing for expansion of currency in circulation, and if financial power is unwilling to accept this policy, then inevitable that we must go off gold standard and eventually follow course of Italy, France, Great Britain, and other European countries by revaluing the dollar by reducing gold content thereof. Appreciate resolution and thank you for your contribution to my fight here.

ELMER THOMAS,

United States Senate, Oklahoma.

Mr. President, at the same time I received those resolutions I received a telegram from Oklahoma City. It is from the Farmers' Union State convention in my State and reads as follows:

OKLAHOMA CITY, OKLA., January 17, 1933.

Senator ELMER THOMAS:

We indorse your position in demanding action on the question of monetary reform before any other question is considered.

FARMERS UNION STATE CONVENTION.

Mr. President, I read a line from a letter from the Governor of my State, as follows:

I want now to express my entire approval of your and Senator LONG's opposition to the bank bill. If they could get that bill, while it would do a little good, it would complete the circle of Wall Street control.

Mr. President, I desire to call the attention of the Senate at this point to some letters and telegrams selected from a large number which come to me daily. I have one from New York quoting a telegram from a famous banker of Texas by the name of Nathan Adams. The entire telegram, which is addressed to me, reads as follows:

NEW YORK, N. Y., January 13, 1933.

Senator ELMER THOMAS,

Senate Office Building:

I am in receipt of following telegram from Nathan Adams: "Am opposed to Glass bill because I do not believe that it in any way touches the things that are fundamentally wrong in the banking system. I am further opposed to it because it was born in a spirit of unrest, and no banking bill should be enacted that does not carry with it the best interests of all the country. Any banking bill framed for the purpose of injuring any section of the country can not be the right banking bill, and I hope that it will not pass in this hurried session of Congress. You are at liberty to use this if you so desire."

The man who sent me this telegram adds the following:

For your information, Nathan Adams is president of the American Exchange National Bank, Dallas, which is the largest bank in Texas and in the Southwest. Mr. Adams is considered one of the best-posted men on banking, finance, and agriculture in our country.

ROBERT HARRIS.

Mr. President, here is one paragraph from a letter from a banker of my State:

JANUARY 16, 1933.

Shift for a moment to the Senate—the Glass banking bill—talk about "class legislation"—there has never been a more treacherous, diabolical measure introduced in the Congress of the United States than this bill—"conceived in iniquity and brought forth in sin"—the viscous and glutinous creature of heartless and grasping capitalism.

Mr. President, I do not submit these as arguments; I submit these telegrams and paragraphs from these letters as evidence of the state of the public mind throughout the United States.

I have here a letter from New York City of January 21 which reached me this morning. It is from Whidden Graham, of 611 West One hundred and twelfth Street, New York City, and reads as follows:

On January 5 Senator GLASS asserted on the floor of the Senate that many banks are in such a bad condition, with their portfolios stuffed with immobile or worthless securities, that for two years the Comptroller of the Currency has winked at violations of the banking laws.

If this charge is true, what is the use of enacting a new bank law, if the officials will not enforce existing laws?

If the comptroller is violating the law with the sanction of the President, should not the latter be impeached?

Very truly yours,

WHIDDEN GRAHAM.

I call the attention of the Senate to a letter which has just reached me from Prescott, Ariz. It is dated January 18, and reads, in part, as follows:

Through the courtesy of Senator HENRY ASHURST, I receive the CONGRESSIONAL RECORD and take great interest in watching the work of Congress.

I will merely read some isolated sentences.

There is no money. I contact the general public all the time, and I am fearful of a revolution if the right steps are not taken quickly. Those steps, in my humble judgment, are: First, the remonetization of silver at 16 to 1; second, place the control of the money back in the hands of Congress as provided by the Constitution.

I read another excerpt from the letter:

The Federal reserve bank act has done what my good friend, ex-Senator James A. Reed, of Kansas City, Mo., said it would do—bankrupt the Nation—because it placed the entire wealth of the Nation in the hands of 12 men.

Again I quote from the same letter:

I am frank to say that I regret that there is a strong sentiment among the people—the majority of them—that if something is not done quickly to comply with the Constitution and destroy the power of this Money Trust that the people will do something, and that something will not be what the moneyed men will like. In plain words, if they once get started, what happened in Russia will only be an introduction to what will happen in the United States.

Again, I read from the same letter:

The power to control the circulating medium must be taken from the Federal Reserve Bank Board, Wall Street, and the bankers and placed back in the hands of a Congress in touch with the people.

That letter is signed by E. C. Whitesitt, of Prescott, Ariz.

Mr. LONG. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Oklahoma yield to the Senator from Louisiana?

Mr. THOMAS of Oklahoma. I yield.

Mr. LONG. How many efforts have been made to take public officials off the Federal Reserve Board since the Senator has been in Congress?

Mr. THOMAS of Oklahoma. This is the first time to my knowledge.

Mr. LONG. Has there not been an effort to take the Comptroller of the Currency off several times, so as to reduce the number of public officials on the board?

Mr. THOMAS of Oklahoma. Not being a member of the Banking and Currency Committee, I can not answer the question, but to my knowledge I might say that has not been done.

Mr. President, I hold in my hand a copy of the Federal reserve act. This act was approved December 23, 1913. A hurried examination of this volume shows that this law was amended twenty-two times prior to March 4, 1931, and since March 4, 1931, the act has been amended two or three more times. So my statement on a former occasion that the Federal reserve act has been amended something like twenty-five times, I think, is substantiated.

Mr. LONG. Mr. President, will the Senator inform me further whether any of those amendments have been made without the consent of the Senator from Virginia?

Mr. THOMAS of Oklahoma. Mr. President, I charged the Senator from Virginia on Saturday with having written the Federal reserve act, and he denied it. I then charged him with having written all those amendments, and he denied that. I still think he had very much to do with each of them. I also made the statement on last Saturday that, while the distinguished Senator from Virginia may not have written all these amendments, since I have been here he has had the power to veto any banking legislation to which he is opposed.

Mr. GLASS. Mr. President, will the Senator permit an interruption?

The PRESIDING OFFICER. Does the Senator from Oklahoma yield to the Senator from Virginia?

Mr. THOMAS of Oklahoma. I yield.

Mr. GLASS. I did not make any denial specifically of having written the Federal reserve act or any amendment to the Federal reserve act. I simply observed that the Senator from Oklahoma was making so many erroneous statements that I thought it safe to enter a general denial of everything he said.

Mr. LONG. Mr. President—

The VICE PRESIDENT. Does the Senator from Oklahoma yield further to the Senator from Louisiana?

Mr. THOMAS of Oklahoma. I yield.

Mr. LONG. Do I understand the Senator also to have denied responsibility for bringing on the depression?

Mr. THOMAS of Oklahoma. Yes; the Senator from Virginia entered a general denial to that also on Saturday. He denied all these things, and to-day he is taking back his denial. I will leave that to the Senator from Virginia.

I read now from a letter from Libertyville, Ill., dated January 19, 1933. I will only read excerpts from the letter.

They want to relieve us of the burden of managing our local banks by foisting chain banks onto us. They want to relieve us of the little funds that we have left by reaching down into our pockets with a sales tax. They want to relieve the country of the burden of carrying on any business by depriving the great mass of the people of any buying power. Yes, they want to relieve us of the last vestige of individualism that is left by centralizing not only the control but the ownership of everything into the hands of a few vultures and buzzards. My God, isn't it about time we had a filibuster or something to stop such relief?

The great mass of the common people of this country who really understand the kind of "relief" that you are opposing are praying night and day that you and those Senators and Congressmen who are working with you will continue relentlessly to fight against such rot-gut relief. And, of course, if any of the boys don't like to play when you do that, go ahead and let them resign. It would be a blessing to the country if some of them did.

I quote further, Mr. President, from the letter addressed to me, which comes from Libertyville, Ill.:

I suppose it is a little presumptuous for me to be appealing to you. I don't live in either Louisiana or Oklahoma, but, on the other hand, I don't live on that short, narrow, crooked, little street with the graveyard at one end and the dirty river at the other end. It is funny how many of our Congressmen seem to feel that all their constituents live on that street.

If the Congress of the United States really wants to give the people of the country some honest-to-goodness relief, then let it resume the exercise of its constitutional duty of coining (issuing) and regulating the value of our money.

I call attention to a letter received from my own State in which I am criticized for being party to a filibuster. From that letter I desire to read the following paragraph:

It seems that the crying need in this country is money.

Well, Mr. President, that is what I am trying to say to the Senate of the United States—"the crying need in this country is money"—money of the kind the people can see, money of the kind the people can get hold of with which to transact the business of the Nation, pay their taxes, pay their interest, and pay their debts.

A circulating medium is what we need. We do not have it. Nearly everything on earth is being used for money. The States very reluctantly gave Congress the right to coin money and to issue currency, and Congress has full right and authority over this matter, and why it is that we can not get some money in circulation is beyond me to understand. Over this country we have begun to have trades days, which is the result of the lack of money; people bring their goods to one place and exchange and barter, and in many cases the merchants are signing up checks and the like in denominations of \$1, \$5, and \$10 to be passed through 100 hands.

Mr. President, I call attention to a letter just received from Chama, N. Mex., written on January 17, which reached me yesterday. I will read just one paragraph from that letter:

What this country needs is money in circulation; money to revive the prostrate and dying industries—and that money never will be extended by those who operate the Federal reserve system. We must have money which does not force tribute to money merchants, which does not further burden the property of the Nation, and which does not lay further burdens upon the taxpayers. Bonding the National Government, appropriating out of the National Treasury to give relief to this unit or that unit of our economic structure is not getting us out of our difficulties. Let me repeat—what the country needs is money in the channels of business and trade, money that does not further burden property and for which tribute is not exacted by money merchants.

Here, Mr. President, is a letter from Pennsylvania, written on July 16, and which reached me yesterday. I read it as follows:

I think the only way in God's world we can get out of this depression is to inflate the currency some sound way. Keep the good work up. Inclosed some newspaper clippings and cartoons, in which I think you might be interested.

I call attention to a paragraph from a letter just received from Denver, Colo., of date January 14. I quote from it as follows:

Your efforts to promote amplification of the currency are not only very praiseworthy but imperative at this time, if peace and a modicum of contentment are to be preserved among the rank and file of our people. Whether the gold dollar be reduced in size or more paper money be availed is really immaterial. But there must be more money spread abroad in order that commerce may be delivered from the bonds that are undoubtedly strangling her to death. Those that have the money hoarded are gleeful at its wonderful power to buy and to starve those less fortunate. How long can such conditions prevail?

I next call the attention of the Senate to a letter from Bennington, Vt., written on January 17. I quote but one paragraph:

The actions of the United States Senate remind the people of the confusion at the building of the tower of Babel. In this case it is not language but ideas that are in confusion.

Will you do me the honor of reading over the inclosed leaflet, which contains ideas that are not founded in our present school of selfishness but are based on common sense and a very clear knowledge of conditions as they are and as they can be, and I believe will be?

To forestall revolution, a renewed feeling of security is essential.

The next letter is from Seattle, Wash. I quote one or two paragraphs from this letter:

Inflation is the only thing which will put men to work; and if men are not put to work, and that ——— soon, the finding of the Hoover Research Commission will become a fact, and we will have anarchy in all its hideous forms. Will you read this letter with an open mind? May do some good.

The dollar is kept honest or dishonest by the number in circulation. The fewer dollars, the higher the value in buying power.

The panic is continued because money is hoarded and kept out of circulation by the banks; and they do it for their own safety, for fear of a run by depositors.

The Marine Bank, of Seattle, informed me that they were not looking for new accounts, as they had more money in the vaults than they could safely invest. Think of it! Banks glutted with money, and none outside of the banks to transact the business of the richest Nation on earth.

My God! What a slam on our law-making bodies.

Another paragraph:

By this inflation the dollar would recede to match the price of commodities, and the man who contracted debts prior to 1929 will not have to pay in fat dollars which have swollen to \$2.50.

Now, sir, it is time to begin thinking of the great masses of the people who are being robbed by the high-priced dollar, which for four years has been sapping the vitality of the masses, instead of thinking of the gold standard, the railroads, Wall Street, and corporations, as the Government has been doing.

Again I read:

The tension of the country is at the breaking point. See report of the Hoover Research Commission, and don't think that tinkering with the tariff, the sales tax, farm relief, or any other nostrum will stop the danger of anarchy.

Put money in circulation, or face anarchy and sovietism; for men with starving wives and children will become raving maniacs, to burn, slay, and destroy, while you Congressmen, who have failed on your job, will wring your hands and order out the troops to kill men driven to desperation by the do-nothing Congress of the last four years but plan and scheme to tax people and balance the Budget. I am not a communist or an anarchist, but one of the plain people and a student of politics who voted for Roosevelt.

That is signed by a doctor of Seattle, Wash.

Here is a letter from Shenandoah, Iowa. I read:

Although editing a Republican paper, I want to congratulate you for the splendid fight you are making for reflation and the honest dollar, and to assure you that at least nine-tenths of the people of all parties in this part of our beloved country are in accord with you.

What we need, what we want, is not to borrow money; but have more dollars, cheaper dollars, honest dollars, with which to pay the debts we now have, and prices that will enable us to pay taxes and interest and to begin again to buy the comforts of life. We want dollars that will circulate, not go into hiding as soon as issued.

I am taking the liberty to quote from and indorse your great speech last Friday. Will send you marked copy of paper.

The VICE PRESIDENT. The time of the Senator from Oklahoma on the amendment has expired. He has 10 minutes left on the bill.

Mr. THOMAS of Oklahoma. I will use the 10 minutes left to my account on the bill.

I have just read from a letter written in Shenandoah, Iowa. It is from the editor of the Evening Sentinel. The writer's name is C. N. Marvin. I have some clippings from his paper and I call the attention of the Senate to one of them, briefly.

Here is a paragraph from an editorial entitled "How Not to Do It." The first paragraph is as follows:

A tremendous feeling of resentment among the American people is developing against the Congress of the United States by its failure to pass any measures for real relief or to remove the depression.

I now quote from another publication printed in one of the far Western States, as follows:

Branch banking is now under consideration by our solons at Washington, which means "chain banking," which chains went ker-bluey by the hundreds in Oklahoma, Arkansas, Missouri, Kentucky, and other States not very long ago, taking the deposits of thousands of small depositors. To date not many of these small banks of the chains have been reopened, and the loss to the depositors runs up into the millions. Chains are a puddin' for the central bank which allows the smaller banks just enough money on hand to be called a bank and controls every bank belonging to the chain.

I desire to quote a portion of an editorial appearing in a newspaper published at Millen, Ga., of date January 19, 1933. The part that I desire to quote is in response to a question submitted to myself by the distinguished senior Senator from Massachusetts [Mr. WALSH], as follows:

Mr. President, how does the Senator explain their position? What reasoning leads them to that viewpoint?

That was the opposition to placing more money in circulation. My answer was:

It is as simple as the noonday sun in Oklahoma. I will come to that matter a little more in detail later; but the financial power has in its strong box two hundred billions of securities. The question is: Do they want securities of high value or securities of low value? The value of the securities is based upon the dollar. Do the folks who have their wealth in fixed investments, like Government bonds, State bonds, city bonds, and corporation bonds, want a cheap dollar or do they want a dear dollar? The higher the dollar goes, the more wealth they have. The cheaper the dollar becomes, the poorer they are. So the financial power wants dollars scarce; and the scarcer they are, the higher they are in buying power. The people who produce and toil and work want cheaper dollars so that they can have a chance to see some of them occasionally.

Mr. LONG. Mr. President—

The VICE PRESIDENT. Does the Senator from Oklahoma yield to the Senator from Louisiana?

Mr. THOMAS of Oklahoma. I do.

Mr. LONG. I was going to suggest, if the Senator will permit me, that we have no quorum here.

The VICE PRESIDENT. Does the Senator from Oklahoma yield for that purpose?

Mr. THOMAS of Oklahoma. Mr. President, I hope the Senator will not do that.

Mr. LONG. I withdraw the suggestion, then.

Mr. THOMAS of Oklahoma. I realize that this is a dry subject. I realize that Senators will not listen, and I do not desire to take the time of the Senate by calling them here to answer their names and have them go back to the cloakrooms to smoke and sleep. [Laughter in the galleries.]

Mr. President, after I had made my reply to the question submitted by the distinguished senior Senator from Massachusetts—

Mr. LONG. Mr. President, will the Senator permit another question at that point?

Mr. THOMAS of Oklahoma. I yield.

Mr. LONG. We have been trying to discuss this subject of silver and the expansion of the currency here for about two and a half weeks, and I wonder if the Senator has noticed that up until this time we have been unable to get as many as 20 of the Senators to listen to a discussion of the subject.

Mr. THOMAS of Oklahoma. Mr. President, at this time the Senator from Ohio [Mr. FESS] is here. The Senator from Minnesota [Mr. SCHALL] is here. The Senator from Oregon [Mr. McNARY] is here. My colleague from

Oklahoma [Mr. GORE] is present. The Senator from Virginia [Mr. GLASS] is here. The Senator from Washington [Mr. DILL] is here. The Senator from Ohio [Mr. BULKLEY] is present. The Senator from Arkansas [Mrs. CARAWAY] is present. The Senator from Louisiana [Mr. LONG] is present. The Senator from Georgia [Mr. RUSSELL] is present. The Senator from Kentucky [Mr. LOGAN] is present. The Senator from Wyoming [Mr. KENDRICK] and the Senator from Kansas [Mr. MCGILL] are present. That is the largest crowd I have had to speak to for several days, and I am content to proceed. [Laughter in the galleries.]

Mr. President, on a former occasion, after I had answered a question of the Senator from Massachusetts [Mr. WALSH], I yielded to the Senator from Illinois [Mr. LEWIS], who said—and this is significant:

If something is not done that discloses to the public wisdom and patriotism, together with some execution in behalf of the measures for which they call, there will in the next two years at the coming congressional elections rise forth in America an order of mankind in such spirit of resentment and vengeance that we will be very fortunate if our legislatures are not then made up of a class of representatives whose purpose it is to topple over every form of fixed institutions and place in their stead some form of novel undertaking that may threaten all property and the security of all constitutions, and leave us before the world a Nation hopeless of reform and of remedy and helpless of the confidence of mankind. I fear that unless something is done in a chastened spirit in the way of some form of construction, and with such immediateness as becomes the dignity of both bodies, it will not be six years that we will have to wait but we will reap the harvest at the coming election in two years, if not before.

Mr. President, there is a warning from a Senator who has served the Nation long and well—long in the other branch and long in this branch of the Congress of the United States.

I call attention to a letter received just this morning, written on January 20, three days ago. It is from a great editor of a great newspaper in my State, Richard Lloyd Jones, the editor of the Tulsa Tribune. The letter reads as follows:

DEAR FRIEND THOMAS: Already we are making local money because the Government issues too little money, and our banks hoard most of what Federal money there is. We are forced to do business without money. Time for action! It seems to me silver is the only way out.

Cordially,

RICHARD LLOYD JONES.

He submits with this letter a picture, a photograph of some of this make-believe money—scrip. The picture also contains the photograph of Prof. Irving Fisher.

Without reading this article, I ask unanimous consent to incorporate it in the RECORD at this point in connection with my remarks.

The VICE PRESIDENT. Without objection, it is so ordered.

The editorial is as follows:

[From the Tulsa (Okla.) Tribune of January 20, 1933]

BARTER IS LINKED WITH VIRTUAL SALES TAX

By Robert Talley

Strangely enough, the most successful attempts to make the unemployed self-supporting by enabling them to barter their labor for scrip or goods seem to have been originated and operated by the jobless themselves. The biggest such attempt by a city has been abandoned.

After a 2-year trial the city of Grand Rapids, Mich., which until recently boasted "A job for every man," is giving up its system of "made" relief work on public improvements and is going back to the old system of direct relief to the needy. High costs of these public improvements, approximating \$1,500,000 a year, explain the change.

Early in the depression the city of Grand Rapids decided that since the unemployed had to be supported anyhow, it would be better to put them to work on municipal projects and pay them in city scrip redeemable in food and goods at city welfare department stores. The wage was fixed at 40 cents an hour.

As the numbers on the relief rolls increased, however, it was found that the cost of the plan was mounting out of proportion and that direct relief probably would cost much less.

#### NEW PLAN

A different sort of scrip plan that involves created public improvements is being employed in Hawarden, Iowa, and in several other small towns in Iowa and Nebraska. It was designed by Prof. Irving Fisher, noted Yale economist.

The plan works like this: Needy men are put to work on public improvements and paid with scrip money. To spend a scrip dollar, the holder must first attach thereto a special 3-cent stamp purchased from the city. Thus, by the time a scrip dollar has changed hands thirty-six times the city has received \$1.08 for the stamps on its back and can redeem it with a real American dollar (the extra 8 cents covering the expense of printing and handling).

#### "LOCAL SALES TAX" SCRIP

In effect, this is a 3 per cent sales tax on the consumer. But the money goes to aid the needy. Stores accept the scrip money.

Professor Fisher, who recently made a trip to Hawarden to see how the plan was working, declared it to be "the most interesting experiment I know of for combating the depression."

In Evanston, Ill., city officials and the Evanston Independent Retail Merchants' Association are cooperating in issuance of a scrip known as "Eirma money," designed to stimulate retail trade and raise funds for the purchase of city tax-anticipation warrants. Each "Eirma dollar" is backed by a real dollar in the bank. The 2-cent city stamps affixed to it each time a transaction is made are paid for by the merchant. He later receives city tax-anticipation warrants for this stamp money.

In Dayton, Ohio, hard-pressed city officials are considering a scrip plan with a 3-cent stamp. In the process of 34 transactions one of these scrip dollars would thus earn \$1.02 in stamps, whereupon the original would be redeemed by the city for \$1 in actual money. Whether these stamps would be paid for by the public or the merchants is yet indefinite.

#### WOODEN MONEY MAKES PROFIT FOR TOWN

The little lumber town of Tenino, Wash., quit the scrip system recently with a handsome profit. When the town's only bank closed some time ago Tenino's chamber of commerce issued \$6,500 in scrip that was printed on thin sheets of wood. This "wooden money" made such a hit with curio collectors that when Tenino gave up the system recently only \$30 of the scrip was presented for redemption.

Mr. THOMAS of Oklahoma. Another letter, Mr. President. This one is from Kansas City, Mo.:

DEAR SENATOR THOMAS: It ought to be plain to anyone that what we need and must have is more medium of exchange, call it what you may.

C. L. FINK.

A letter from Albany, Ala.:

The people seem to be opposed to the Glass banking bill in the form it is now because they think, among other things about this bill, it will make times harder; and, as I understand it, it would practically make all the banks in the country form a group banking system in self-defense or go out of business.

Here is a letter from Winchester, Ill. This letter has attached to it a carbon copy of a letter addressed to Hon. CARTER GLASS. The letter is written on January 21. It reads as follows:

Attached I hand you copy of letter I am writing Senator CARTER GLASS to-day.

We can not understand the mental processes of such men as Senator GLASS and our special banking interests when they deliberately promote special interests' legislation at a time like this. With millions of unemployed and hungry people, farmers losing their farms and all they have in this world, with thousands of banks closing and business concerns closing their doors, and with the Nation gradually sinking from day to day, these special interests and their representatives insist they must continue to have things their way.

We trust yourself and other real representatives of the people may stay on the firing line until we can have justice and a square deal for the millions of American citizens who have got to their present plight through no fault of their own, until a new deal and justice are gotten, if, indeed, it is not too late to pull this Nation out of the ditch.

We sincerely hope it may be possible to get the affairs of this Nation headed in an entirely different direction at a very early date, and before it is too late.

Signed by Pineland Farms, by H. G. Pine.

The VICE PRESIDENT. The Senator's time has expired.

Mr. FESS. Mr. President, in to-day's New York Times appears an article written by the Secretary of the Treasury on the dangers of the inflation movement. I think it should be printed immediately following the remarks of the Senator from Oklahoma, and I ask unanimous consent that that order be made.

The VICE PRESIDENT. Is there objection?

Mr. LONG. Mr. President, I am wondering whether or not all these articles ought to be printed in the RECORD. I thought we had some kind of a gentleman's agreement about that. I am not going to object, if the Senator from Ohio wants the article printed. It is a statement of the Treasury, is it not?

Mr. FESS. It is a statement of the Secretary of the Treasury.

Mr. LONG. I am not going to object, if the Senator wants the article printed, but I just wanted it noted at this time.

The VICE PRESIDENT. Is there objection?

Mr. THOMAS of Oklahoma. Mr. President, I have no objection to this article's being printed because I had intended to refer to it later on and to ask that it be incorporated in the RECORD as a part of my remarks. I should be very glad to have it incorporated in the RECORD at this time.

The VICE PRESIDENT. Is there objection?

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the New York Times, January 23, 1933]

**DANGER IN INFLATION OF UPSETTING PRICES ANEW, SAYS MILLS—TREASURY SECRETARY ARGUES AGAINST PROPOSED MANIPULATION OF CURRENCY—DISPUTES "GOLD SHORTAGE"—WORLD STOCK GAINED FROM 1929 TO END OF 1932—MONEY IN CREDIT AND DEPOSITS AMPLE—RISE IN PRICES DESIRABLE—BUT NEEDED IMPULSE WILL COME IN CUTTING BARS TO TRADE AND INDUSTRY, HE ASSESTS**

By Ogden L. Mills, Secretary of the Treasury

WASHINGTON, January 22.—The precipitous fall in prices that has taken place during the course of the last three years has given rise to all manner of economic maladjustments. The price levels, not only for commodities but for rents, services, etc., are so out of line, both in domestic and world markets, as to reduce to a minimum the exchange of commodities, out of the production and exchange of which the civilized world makes a living and derives its wealth.

As price relationships become distorted so that exchange of goods does not proceed freely, production soon exceeds consumption and is increasingly dammed up. Prices fall further. Commercial and industrial stagnation follow, and we are confronted with the paradox of poverty in the midst of plenty.

In the meanwhile, with an enormously contracted volume of business and a very much lower price level, the burden of payments of debts piled up during the preceding period of expansion and high business activity becomes unbearable. Debtors of all classes—governments, corporations, and individuals—seek relief from a weight that has become crushing.

#### IMPULSE TO ALTER CURRENCIES

Since depressed, disordered, and declining prices appear, on the surface at least, to be the most disturbing factor affecting trade and industry, and since prices are expressed in terms of money, which is the medium through which the exchange of goods is effected, there is a very natural tendency to look upon our currency system as the key to the situation, and to jump to the conclusion that currency can be so manipulated as to relieve the only too obvious ills from which the world is suffering.

This is the basis for the talk of inflation of which we hear so much these days. In its crudest form inflation is visualized as the process of pumping out currency in one way or another, the assumed effect of which rests on the simple conception that the level of prices will have a fixed relationship to the volume of currency in circulation.

But this conception, even as applied to "money" in the broadest sense, is altogether too simple. Money in the modern world consists of currency only to a very small extent. Money, particularly in the United States, consists of credit of all kinds, but principally of that form of credit known as a bank deposit. Currency in circulation amounts to less than \$5,600,000,000; bank deposits to about \$43,000,000.

But even the volume of bank credit does not tell the whole story, for if we would relate money or credit to prices we have to take into consideration the further factor of the rate at which that credit is used, or the velocity of the turnover, for \$2 that are used once during a year obviously do no more in moving merchandise than does \$1 used twice during a year.

Moreover, we do not live in a self-contained country segregated from the rest of the world. Our prices, currency, and credit structures are directly related to and affected by the situation in world markets, where our goods are exchanged for the goods of the rest of the world through the medium of an international credit mechanism.

#### ISSUE IS COMPLICATED

The freedom of exchange and the prices at which exchanges of our goods are effected are, therefore, influenced by the relationship between our money and the currencies of other countries, expressed in terms of dollars.

It is apparent, therefore, in the first place, that we are dealing with something more complicated than could be reached by a mere expansion of currency.

In the second place, assuming we could bring about at will an increase in the volume and velocity of credit in use and that a general rise in prices might ensue, there is nothing to indicate that this process of itself would restore a proper relationship between the prices for different commodities or groups of commodities. In fact, it is conceivable that it might increase the maladjustment.

I am convinced that we are suffering to-day from a downward movement of prices and from the unevenness of this movement as well as from the low level of prices. It is distorted price relationships which retard production and obstruct the exchange of commodities and thus result in a tremendously restricted volume of business.

If the volume of production and business could be brought back to normal, even at a comparatively low price level, many payments on debts would once more become bearable, and the debts themselves could in time be liquidated.

It must be admitted, of course, that there are many debts that must be written down or off, unless prices can be brought to a higher level. I make this point in order to indicate that, even if it lay within our power to bring about through some inflationary process much higher price levels for all commodities, services, etc., this of itself would not cure the situation so long as the maladjustments continue.

#### PRICE RISE AN IMPORTANT FACTOR

This does not mean that I do not believe it highly desirable that prices should rise. I do, most emphatically. I also believe it highly desirable that an ample supply of "money," or credit readily obtainable for both long and short time at low interest rates, is an important factor in bringing about that rise, not because ample credit readily obtainable will of itself produce high prices but because that credit, working through other economic factors, is an essential condition for increase in the volume of business transactions and thus in prices.

This gives rise to a third point. What reason is there to believe that under our present domestic monetary system and policy the necessary amount of potential credit is lacking? Our stock of gold, the basis upon which our credit structure rests, is greater now than in 1929, and would obviously sustain at least an equal amount of bank credit. The member banks alone have \$600,000,000 more reserves than the law requires and could expand their credit by \$9,000,000,000 without borrowing an additional cent from the Federal reserve banks.

Bringing this credit into use, however, is apparently a very different question, the actual volume of bank credit is much smaller than three years ago, the velocity of bank deposits has been greatly reduced, and the estimated volume of business and financial transactions in this country in dollars at current prices during the year 1932 has been less than 45 per cent of the 1929 volume.

This brings us to the real issue.

I believe that, while it is necessary that easy money conditions should be maintained, the remedy will be found in a series of steps and readjustments calculated to remove the barriers that now stand in the way of the production and exchange of goods, and that as commerce and industrial activity expand credit will simultaneously be sucked into use and prices will rise.

The inflationists, on the other hand, seek by arbitrary governmental action to force an immediate and wholesale expansion of currency which they believe will force a rise in prices that will in turn be followed by increased business activity.

#### CHALLENGE TO INFLATIONISTS

Three questions may fairly be asked: First, have they diagnosed the disease correctly? Secondly, can they accomplish even the limited objective of relief to debtors and stimulation to business? And third, are not the conditions which they will ultimately create likely to be infinitely worse than those from which we now seek to escape?

The first two questions, as we have seen, must be answered in the negative; the third, most emphatically in the affirmative.

While there are many, many schemes for increasing prices through currency manipulation, generally speaking, they fall into two classes.

The first consists in direct or indirect inflation through budgetary deficits, governmental expenditures being arbitrarily increased for this purpose. Various public-work schemes and the Patman bonus bill are typical examples.

The second class consists of a number of devices for debasing the value of the dollar by more direct action, of which the proposal to reduce the gold content may be singled out as representative, though they include a number of other plans, such as the free coinage of silver at a 16 to 1 ratio.

As I understand it, the justification for the latter proposal is based on the claim that the rate of growth of the world's gold supply has failed to keep pace with the world's production of goods, and that the scramble of the countries of the world for an inadequate supply of gold has led inevitably to an increased valuation of gold and a decreased valuation of goods, or to falling prices.

#### DISPUTES GOLD-SHORTAGE VIEWS

The accuracy of the contention that the rise in the value of gold has resulted from the failure over a period of years of the stock of monetary gold to keep pace with increasing production may be questioned on the basis of very strong evidence.

However, the point does not seem particularly significant in the present discussion. It is clear that the precipitous decline in prices that has taken place since 1929 can not be attributed to gold shortage. The gold reserves of central banks and governments of some 47 countries representing the bulk of the world's stock of monetary gold aggregated in the summer of 1929 about \$10,145,000,000, and at the end of 1932 nearly \$12,000,000,000.

If the distribution of this gold among the countries of the world is not to the best advantage, this is an indication of other factors at work, but certainly not proof of a shortage of gold.

Moreover, in spite of the disappointing failure of the gold standard to function satisfactorily among the disorders of the last few years, I have not the least doubt but that if we could again achieve order and balance in the world's production and trade, which are conditions of stability and growth, and if we could get the world once more back on the gold standard and stabilize exchanges, central bank managers have acquired knowledge and skill to make more economic use of the gold than ever before, so as to make this gold a sufficient base for a volume of credit which would finance all our activities on a much higher price level than exists to-day.

The rise in the value of gold, in terms of which many attempt to explain the recent world-wide decline of commodity prices, might better be thought of as primarily the reflection of world-wide disorders which have curtailed production, markets, and trade and have disturbed, and in many cases completely paralyzed, the normal functioning of our credit and exchange mechanism.

#### POSSIBLE IN COMPLETE ISOLATION

But the heart of the position of the advocates of revaluation of the dollar is the claim that the reduction of the value of the dollar, regardless of what had caused its rise, would bring about a rise of domestic prices corresponding to the devaluation. Such a contention should be subjected to the most careful scrutiny before being accepted at its face value.

If the United States were shut off from the rest of the world so as to be completely self-contained without any outside relationships of any kind, cutting the gold content of the dollar in half in and of itself would have no direct effect on the price structure. It must be assumed, therefore, that the rise in domestic prices is intended to be brought about indirectly by the rise of prices expressed in terms of dollars of goods sold in world markets.

But no one can predict with assurance that this would happen. Our devaluation of the dollar would introduce a major disturbing element in the world-wide disorder of exchanges. I am inclined to believe that what would happen would be a further depression in world prices, accompanied by a slight increase in domestic prices, providing other factors were not at once projected into the field.

It is not unreasonable to suppose that such action on our part would pull those countries still on the gold standard off the gold standard, that present disordered exchanges would become more chaotic, that currencies would tend to depreciate either intentionally or by necessity still further, that trade barriers would rise still higher, that international trade would become further restricted, that world prices would fall lower, and that the combined effect on world confidence would bring in the train of such developments literally incalculable calamities.

#### DELIBERATE DEFAULT INVOLVED

It must not be forgotten that this action would involve a deliberate default on the part of the United States Government on its own obligations, accompanied by a compulsory default of all those obligations that are payable in gold dollars of the present standard. Repudiation by the United States Government, and breach of contracts coming at such a time as this might well destroy the foundation of our entire economic structure and postpone indefinitely all possibility of world recovery. This is a high price to pay for a problematical and, at best, limited increase in prices.

The cases of Italy, France, and Great Britain can not be cited as examples. In all three devaluation was brought about by the compulsion of events and not by deliberate choice. In the first two cases legal enactment represented merely a recognition of an existing state of facts.

Moreover, those who so confidently claim that debasement of our currency would be followed by a rise in domestic prices can find but cold comfort in the price history of Great Britain since September, 1931, for whereas the gold value of the pound sterling had depreciated from \$4.86 to \$3.26 as of November, 1932, the index of prices in England was only 2 points higher than in September, 1931.

As I have said, the other main group of plans for increasing prices by currency manipulation contemplate inflation brought about by the piling up of large governmental deficits that can not be met through normal borrowing operations or through the more powerful method of resort to the printing and issuance of paper dollars without adequate gold reserve back of them.

Under the first of these, the Government must inevitably resort to the central banks of issue. They, not acting on their own volition but by Government compulsion, are driven to provide the basis for a credit increase. Such a procedure was resorted to during the war. In fact, many of our agricultural troubles to-day are directly traceable to this war-time inflation of prices of agricultural products and land.

#### HE CITES EVENTS IN FRANCE

The best example, however, is furnished by the course of events in France after the war. The French Government, faced with recurring deficits, turned to the Bank of France. The government gave its notes to the bank. The bank, in turn, gave its bank notes to the government. They were paid out by the government to meet current expenditures. The procedure reduced the value of the franc from 19 cents to 2 cents and threatened a major disaster which was only just averted by bringing the inflation under control.

Under the second and more powerful method of inflation, the United States Government would issue a paper dollar which would have no value except for the say-so of the Government. It will be urged, of course, that the promise of the United States Government is worth a great deal. It is under ordinary circumstances and when the Government conducts its business with prudence and in accordance with the dictates of sound financial policy.

But, if the Government of the United States should undertake to print and pass out "say-so" money, it would at once destroy confidence in all United States currency.

The people know that greenbacks depreciated to 35 per cent of their face value. They know that the "say-so" marks printed by the German Government depreciated from a value of 24 cents to zero. They know that once the United States embarks on this course United States currency is going at once to depreciate in value.

What would happen? It should be recognized that the bad effects of such currency issues would be immediate and would occur even if the issues were moderate in amount, but in order to have an effect on prices the issues would have to be of very large dimensions. So long as our currency was redeemable in gold every holder of currency, everyone with a bank balance, every foreigner with balances in this country or American securities, would at once convert them into gold. In a very short while our gold stock would approach exhaustion. We would be obliged to suspend gold payment.

We would then find ourselves on an irredeemable paper currency basis, a currency that, as the vicious spiral of inflation circled upward, would constantly decrease in value.

#### SAVINGS WOULD BE DIMINISHED

The first effect would be to enormously diminish the value of all savings. Every man and woman whose savings were deposited in savings banks or which took the form of insurance policies or are represented by investments in bonds or mortgages, other than those payable in gold, would find their savings and their income from those savings correspondingly reduced.

Prices and the cost of living would rise very rapidly.

While wages and salaries would also rise, they would lag behind, so that, though business would in the early stages be stimulated and to that extent unemployment relieved, the wage-earning and salaried classes would find themselves involved in a situation from which there would be no escape, with their real wages and standards of living falling steadily.

Production, stimulated by rising prices, would increase rapidly. But with the decreased purchasing power of the fixed income and of the wage-earning classes, there would soon develop a serious maladjustment which would eventually result in collapse.

The farmer would appear, in the first instance, to be the gainer. If his mortgage were not payable in gold, he could pay it off in cheap currency. Rising prices would be reflected in what he received for his products. But the rise in the prices of what he must buy would soon offset the gains.

Furthermore, as the values of farm land rose through the process of inflation, new debts would be incurred at the higher levels, and when the final crash came the farmer would find himself worse off than ever, with a much heavier burden of debt and his markets destroyed.

#### TREND TO COLLAPSE—MILLS'S PROGRAM

While inflation at some stages in the process and at some points appears to correct some of the evils arising during a period of deflation, the one outstanding characteristic of the movement is that once started it soon becomes completely out of control and pursues an irresistible course until it collapses.

All experience teaches that, whatever the earlier appearance may be, all classes are ultimately adversely affected by the process of inflation, and eventually it results in ruin to the economic life of a nation and brings terrible disaster to all of its people.

There is an alternative program, which I have not the space to more than outline. If I were in a position to frame a program, it would take substantially the following form:

First, a balanced Budget; second, an easy-money policy consistently pursued by the principal central banks; third, a definite attack on the debt problem, not by wholesale treatment, but by setting up adequate machinery to deal with different categories of debts; fourth, a settlement of the foreign-debt question; fifth, a stabilization of world exchanges by a return in the first instance to the gold standard by the more important commercial and industrial countries; sixth, the lifting of arbitrary trade barriers.

I believe that if these measures were carried through in a broad and constructive spirit the stimulus to world economy would be so great that there would be an immediate response in the way of an industrial and commercial expansion and a marked increase in prices, accompanied gradually by essential readjustments.

Mr. GLASS. Mr. President, I do not care to say anything further in regard to this matter. I call for a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Ashurst	Black	Bulow	Couzens
Austin	Blaine	Byrnes	Dale
Bailey	Borah	Capper	Davis
Bankhead	Bratton	Caraway	Dickinson
Barbour	Brookhart	Connally	Dill
Barkley	Broussard	Coolidge	Fess
Bingham	Bulkley	Costigan	Fletcher

Frazier	Kendrick	Patterson	Stephens
George	Keyes	Pittman	Swanson
Glass	King	Reed	Thomas, Idaho
Goldsbrough	Lewis	Reynolds	Thomas, Okla.
Gore	Logan	Robinson, Ark.	Townsend
Grammer	Long	Robinson, Ind.	Trammell
Hale	McGill	Russell	Tydings
Harrison	McNary	Schall	Vandenberg
Hastings	Metcalf	Schuyler	Wagner
Hayden	Moses	Sheppard	Walcott
Hebert	Neely	Shipstead	Walsh, Mass.
Howell	Norbeck	Shortridge	Walsh, Mont.
Hull	Norris	Smith	Watson
Johnson	Nye	Smoot	Wheeler
Kean	Oddie	Steiner	White

The VICE PRESIDENT. Eighty-eight Senators having answered to their names, there is a quorum present. The question is on the amendment offered by the junior Senator from Louisiana [Mr. Long].

Mr. LONG. Mr. President, I have a few minutes left on my amendment, and I have an hour left on the bill.

The VICE PRESIDENT. The Senator has three minutes on the amendment and one hour on the bill.

Mr. LONG. If I transgress beyond the three minutes I have on the amendment the time will be taken from my time on the bill.

Since consuming a few minutes on the amendment this morning I have taken the privilege of walking over to the House of Representatives and interviewing a number of Representatives there with reference to the bill we are now discussing. I find that if we do not remove some of the bad odor that has attached to the bill it will have scant chance of much consideration in the House of Representatives.

I was astonished to find in the mind of every man to whom I had the opportunity to speak this morning that the House was up in arms against this bill. They have failed to see anything good in it. Those of us who have been opposing some of the provisions in the bill, however, have seen some virtue in it. I particularly refer to the divorcing of the affiliates, except in so far as they handle municipal and Government bonds and securities.

Mr. President, if we do not deodorize the bill, it will not even be considered at all in the House of Representatives—that is, by the rank and file of the membership. I am not authorized to speak for House leaders, because I have no commitment from them, but the rank and file of the membership of the House of Representatives has been so prejudiced against the bill by the unfortunate effort to put branch banking into it as it was originally written, with other features which were equally repugnant, that the bill was practically given a deathblow before it breathed its first life.

That being true, I hope the Senate will not fail to take such measures as will give the bill the benefit of whatever virtue the old law might have had in it. If the Secretary of the Treasury is to be taken off the Federal Reserve Board, this bill has not as much chance of passing as a snowball has of going through fire. The chance will be dead. That would be a fatal thing for those who favor the bill to do.

Mr. President, I have been talking to a Senator who was in this body when the Federal reserve law was passed, and I am informed through him that an effort has been made to take off the board the officials of the United States Government ever since we have had the board. Whether it has reached the floor of the Senate or of the House or not I do not know, but I am told there has been that kind of an effort on the part of the financiers to divorce the control of the banking and currency resources of this country from the hands of the Government ever since the law has been on the statute books.

The VICE PRESIDENT. The time of the Senator on the amendment has expired. The Senator has an hour on the bill.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. BARKLEY. Of course, I do not know to whom the Senator refers as being a Member of this body who was here when the Federal reserve law was passed.

Mr. LONG. I referred to Senator Owen, of Oklahoma.

Mr. BARKLEY. I wonder if anybody would contend that the man or men who have occupied the position of Secre-

tary of the Treasury for the last 12 years could, by any possible stretch of the imagination, be unwelcome to the financial interests of this country on the Federal Reserve Board, or any board controlling the finances of the country.

Mr. LONG. The Senator does not include the Senator from Virginia in that list?

Mr. BARKLEY. Oh, no.

Mr. LONG. With the exception of the Senator from Virginia, I agree with the Senator from Kentucky.

Mr. BARKLEY. I said within the last 12 years.

Mr. LONG. I am glad the Senator made it just long enough so as not to include the Senator from Virginia.

Mr. BARKLEY. Oh, no; I would not include the Senator from Virginia.

Mr. LONG. I think the Senator is eminently correct in that matter. I join the Senator in saying that some of the interests which have been dictating heretofore the appointments on the Federal Reserve Board have to a large extent influenced the appointment of the Secretary of the Treasury. I admit that for 12 years we have not had the chance we needed, but I deny now that that condition obtains. We have a President coming into office who has been elected on a liberal ticket. I do not know who claims to be members of that lodge, but we have a President who has been elected as a liberal.

Mr. BARKLEY. I think the Senator from Louisiana would blackball a good many of us. [Laughter.]

Mr. LONG. I would blackball several of the applicants, if their applications are made in time, unless there is reformation publicly stated, but in blackballing anybody in that lodge they now have a chance to redeem themselves, in my opinion.

But if we go ahead now and, instead of becoming as liberal as we had hoped, proceed to turn the hands of the clock back the other way and take the Secretary of the Treasury off this board at a time when we are giving \$125,000,000 of the people's money in a partnership proposition and giving away the excise taxes that belong to the people—if we rake the United States Treasury for hundreds of millions of dollars at the same time we are doing it, we take an administrative representative of the people off the board and in that way we are certainly turning the hands back the other way.

Mr. BARKLEY. Mr. President—

The VICE PRESIDENT. Does the Senator from Louisiana yield further to the Senator from Kentucky?

Mr. LONG. Certainly.

Mr. BARKLEY. In view of the fact that the capital stock of the Federal reserve bank is many times greater than the amount of money to be appropriated by the Congress for the purpose of starting this liquidating corporation, and in view of the fact that the Comptroller of the Currency still remains a member of the board and he owes his appointment to the President through the recommendation of the Secretary of the Treasury, is not that itself a fair representation of the \$125,000,000 on the board? Is there any harm really to come to the public or the system by the elimination of the Secretary of the Treasury from the board in view of the fact that his own appointee still remains officially a member of it?

Mr. LONG. Why not remove the Comptroller of the Currency from the board, if the Senator wants an argument?

Mr. BARKLEY. My answer to that is that the Comptroller of the Currency really has more to do with the management of national banks and the national banking system and the Federal reserve system, and has more to do with the regulation of the currency, from which he takes his name, than the Secretary of the Treasury himself. The Secretary of the Treasury officially, as Secretary of the Treasury, has nothing to do with the extension or expansion of our currency under the Federal reserve system. The Secretary of the Treasury is primarily the fiscal officer of the Government looking after the receipts and expenditures of the United States Government. The question of expanding or contracting the currency to meet the demands of business, which was the primary object and hope of those of us who supported the Federal reserve act in 1913—and I had the good fortune at that time to be a Member of the other

body of the Congress which passed it—at the same time removes the necessity of considering the Secretary of the Treasury as a necessary member of the board for the very reason that he does not officially or in any way have anything to do with the expansion or contraction of our currency.

Even before the Federal reserve act was passed, the old national banking act gave to the bonds of the United States Government, issued as a result of the Civil War, the privilege of currency. A banker would come here, buy \$100,000 worth of those bonds, receive 2 per cent interest on them, go to another window in the Treasury and exchange them for \$100,000 of currency. That was an automatic transaction. The Secretary of the Treasury had nothing to do with it. It was granted the banks as a matter of right. So that either under the old system or under this system the Secretary of the Treasury does not necessarily have anything to do with the expansion or contraction of the circulating medium.

It seems to me that the presence of the Comptroller of the Currency, who really deals more directly with national banks and with the banking and currency system and situation than the Secretary of the Treasury, is sufficient representation on the board on the part of the public when we consider the fact that the appointments are made by the President and, it may be, are made after consultation and conference with the Secretary of the Treasury. All of them have to be passed on by the Senate and presumably those men are all supposed to be representatives of the public and not representatives of individual banks or Federal reserve banks.

Mr. LONG. That may be true, but what is the reason for ever having put the Secretary of the Treasury on the board?

Mr. BARKLEY. That was 20 years ago when it was a new venture. We were plowing new ground. We did not know exactly what the result would be. There was much opposition in financial circles at that time, if the Senator would remember if he were old enough.

Mr. LONG. I am old enough to remember. I thank the Senator for the compliment, though.

Mr. BARKLEY. I am trying to compliment the Senator.

Mr. LONG. I understand that.

Mr. BARKLEY. It was thought wise to put the Secretary of the Treasury on the board. In my judgment, experience over a period of 20 years has demonstrated that it not only was unnecessary, but it was unwise. I think the Secretary of the Treasury ought to be detached from the question of control or manipulation of the credits and banks and currency and the circulating medium. It is true, as I believe, that regardless of political parties and regardless of personalities, the tendency might be on the part of the Secretary of the Treasury to exercise more control over the Federal Reserve Board than he ought to exercise. For that reason I believe it is the part of wisdom to take away from him that temptation without any corresponding injury that can come to the system.

Mr. LONG. The Senator is a bit late in making that suggestion. As long as we had a Mills or a Mellon on the Federal Reserve Board there has not been any particular effort to take him off the Federal Reserve Board; but now that we are getting rid of Mills and Mellon, then the move comes to take the Secretary of the Treasury off the Federal Reserve Board. Why? During the last 20 years—for 12 years the board has been under Mellon and Mills, both of whom are for superdeflation. At a time when we are about to get some one with a liberal turn of mind then the effort comes to take the Secretary off the board.

Mr. BARKLEY. Mr. President—

The VICE PRESIDENT. Does the Senator from Louisiana yield further to the Senator from Kentucky?

Mr. LONG. Certainly.

Mr. BARKLEY. Of course, it is easy for the Senator from Louisiana or any other Senator to impute to some of us negligence on our part in trying to get rid of somebody in office. I mentioned the former Secretary of the Treasury

and the present Secretary of the Treasury in reply to the Senator's suggestion that the financial interests of the country have been trying to get rid of the Secretary of the Treasury as a member of the Federal Reserve Board.

Mr. LONG. They have.

Mr. BARKLEY. I ask him what reason any financial interest had to want to get rid of Mr. Mellon? Without any imputation of improper conduct or attitude of mind of Mr. Mills, he is supposed to represent them in the Treasury of the United States, and I wanted to know why they would want to get rid of him.

It is not a question of personality. It is not a question of whether some of us ought to have moved a year ago or two or three or five years ago to get rid of the Secretary of the Treasury as a member of the board. The Senator, of course, knows, or he will know, how difficult it is for any individual Member here to put forward a suggestion with reference to a fundamental change in a law so important as the Federal reserve act.

But we have the question up now. The committee have considered it. Almost unanimously, after hearing all sides of the question, the committee feel it would be wise to eliminate the Secretary of the Treasury as an ex officio member of the board. I do not think it is a fair argument on the merits of the question to impute to any of us any neglect on the part of ourselves or others in not making a move to get rid of him sooner as a member of the board.

Mr. LONG. I do not impute any neglect, but the bad feature of the thing is that at a time when the Secretary of the Treasury can exert authority to undo what has been done here he is to be taken off the board, but it is proposed to leave his subordinate on the board, to leave the Comptroller of the Currency, whom, the Senator says, is under the Secretary of the Treasury. If it is wrong in principle for the Secretary of the Treasury to remain on the board, why is it not just as wrong in principle for the appointee, so to speak, of the Secretary of the Treasury to remain on the board? What reason can the Senator give in policy for taking off the Secretary of the Treasury that does not apply even more to the Comptroller of the Currency being on the board?

Mr. BARKLEY. So far as I am concerned, I will say to the Senator that I would be entirely agreeable to taking them all off the board; I mean all of those who are ex officio members. I have a feeling that the Secretary of the Treasury ought to be Secretary of the Treasury, that the Comptroller of the Currency ought to be Comptroller of the Currency, and that men who are appointed to control the Federal reserve system ought to be required to devote their energies to those duties alone. I would be perfectly willing to risk the President in appointing all members of the Federal Reserve Board and to make none of them ex officio members.

But we have had two of them on the board, the Secretary of the Treasury and the Comptroller of the Currency, and it has not been thought wise to try to get rid of both of them at the same time. There might be some reason for keeping the Comptroller of the Currency on the board, because he is the officer who deals directly with national banks. He is the man who deals directly with the question of the currency, if any officer in the Treasury deals with it. He has direct supervision over the national banks, all of which are members of the Federal reserve system, and likewise the Federal reserve banks in so far as they deal with national banks all over the country. Therefore it seems to me there is more reason for keeping him on the board than for keeping the Secretary of the Treasury and less reason for removing him; but so far as I am concerned I would not be afraid to risk the entire administration of the Federal reserve system to appointees of the President.

Mr. LONG. As a matter of fact, we know that the chairman of the Federal Reserve Board receives a salary of something like \$12,500 a year. That is his salary, as I remember it, and if I am in error about it I should be glad to be corrected.

Mr. GLASS. It is \$12,000 a year.

Mr. LONG. He is prohibited for a period of two or three years after the time he quits the board from engaging in any private banking business. That is a responsibility that is placed upon the man who is made chairman of the board. He must be willing, if he is of the caliber to handle that work, to disassociate himself from any private banking connections at all, not only during the term of his office, but for a period of two years thereafter. But to men who have occupied positions in financial life, who could earn a great deal more than that, we apply such a rule, as the result of which we can hardly get the high caliber of men who can be depended on to become members of the Federal Reserve Board.

Mr. BULKLEY. Mr. President, inasmuch as the Senator from Louisiana has been so liberal in yielding for interruptions by the Senator from Kentucky to make a statement in opposition to his own view, I ask that 10 minutes of the time be charged to the Senator from Kentucky and 10 minutes to the Senator from Louisiana.

Mr. LONG. That is very liberal.

Mr. BARKLEY. Is it just a bookkeeping arrangement?

Mr. BULKLEY. Time is being kept on the debate.

The VICE PRESIDENT. The time is charged to the Senator from Louisiana.

Mr. LONG. I think I have enough time left.

Mr. BARKLEY. If my interruptions are going to extend the debate, I want to withdraw all I have said heretofore. [Laughter.]

Mr. LONG. I was afraid the Senator would do that, but perhaps the liberality of the Senator from Ohio [Mr. BULKLEY] toward me will be reflected in his attitude toward the Treasury of the United States. I will give him back his 10 minutes if he will give the people back a little more from the \$125,000,000.

Mr. BULKLEY. The people have the whole control over it all the time.

Mr. LONG. All I am arguing, the cogency of which will be seen, I believe, at some point in this argument by the Senator from Kentucky, and maybe even myself, is this: We have the entire banking resources in the hands of the board. It is to be given additional power far beyond what it now has. It is proposed to turn over the banking system to a board appointed by the President, the leading member of which can draw a salary of only \$12,000 a year and must be willing to give up any private banking business for two years after he leaves the board, the result of which is to make that board a rich man's club, to start with. You will not let it be anything else; you have got to have some one with immense financial resources who has had financial connections and has assurance of the continuance of such connections for two years after he leaves the board, before you can get anything like a respectable membership of the board at all. You have got it hinged down to where, I do not care whom the President of the United States may appoint, it is almost necessarily under the terms of this measure bound to be to some extent an inferior kind of representation, so far as it concerns what the people are to get. And when we take off that board the Secretary of the Treasury of the United States, who is responsible to the President, and take off that board the Comptroller of the Currency, we are decreasing by that much the representation the people of the United States have.

It is said that it is desired to take him off because he dominates the board. That is all the more reason why he ought to be kept on the board. The responsibility ought to be charged to the administration in power. The people ought to understand it. The Senators ought to have somebody they can go to. Mr. President, we ought to be able to go to the Secretary of the Treasury to complain; we ought to be able to call him here. When the Secretary of the Treasury is dissociated from the Federal Reserve Board, then the Federal Reserve Board will constantly "pass the buck" and say, "it is the Treasury Department that is responsible," and the Treasury Department will "pass the buck" back and say that it is the Federal Reserve Board that is responsible.

Mr. BARKLEY. Mr. President, will the Senator yield again?

The VICE PRESIDENT. Does the Senator from Louisiana yield to the Senator from Kentucky?

Mr. LONG. Yes.

Mr. BARKLEY. This is a very interesting colloquy between the Senator and me; at least it is to me, and I do not want anybody to take advantage of it to extend the time of debate.

Mr. LONG. We are not going to have night sessions, I understand.

Mr. BARKLEY. With that understanding, I will interrupt the Senator again. Of course, the President, who is charged with the responsibility of appointing the members of the Federal Reserve Board, does not necessarily take them from the ranks of finance any more than he takes the Secretary of the Treasury from that source. Any President who would go to the ranks of finance to select a Federal Reserve Board would go to the same place to get his Secretary of the Treasury. From the standpoint of the public, I do not see any difference between a Federal Reserve Board whose members are entirely nominated by the President and a board one of whose members is nominated by the same President as Secretary of the Treasury and by reason of that nomination is made a member of the Federal Reserve Board. The President of the United States, in looking to the qualifications and experience of men who are to handle our Federal reserve system, must necessarily take into consideration the fact that they represent the public. Not only the Secretary of the Treasury, not only the Comptroller of the Currency, but all other members of the Federal Reserve Board taken from the body of the public must represent the public. So I can not see any distinction between the President appointing a seventh member of the board from the public and requiring that seventh member to be a man already appointed to some other office.

Mr. LONG. Let us consider what has happened in the past. The logic of the Senator might be pretty sound if the facts did not dispute it; but the facts are that, so far as I remember anything about it, from the days of W. P. G. Harding on down, pressure on the Federal Reserve Board to relieve this country from the most stringent deflation has had to be brought through the office of the Secretary of the Treasury. With all that can be said, Mr. President, against the administration of Mr. Houston—and I think it was bad enough, if it was a Democratic administration—the policy of that board was far more in favor of deflation than ever was the policy of the administration at the time, if I am correctly informed about it. The Senator says that the same President appoints the members of this board, but there is a continuing and attached responsibility for the welfare and the working of the administration through the office of the Secretary of the Treasury that can not be exerted through a board scattered all over the face of the earth.

There are seven other members, one of whom is the Comptroller of the Currency, but he is not a powerful man, and it is proposed to decrease the important Government representation on the board, giving it solely to the Comptroller of the Currency, instead of also to the Secretary of the Treasury, so that, according to what the Senator from Virginia said, the Secretary of the Treasury can not exert such influence on the members of the board. I say to Senators who want this bill that it has too much odor about it already for them to think about taking the Secretary of the Treasury off the Federal Reserve Board. There can never be even a sensible degree of suspicion that the bill will be considered at the other end of the Capitol if you put any more odor on this bill than it has on it already. We have worked here for 17 days to scrape the odor of the branch-banking feature off, and we have almost washed the baby clean enough to where they will stand for it; but if we leave the Secretary of the Treasury off the board, if we give the Federal reserve system \$125,000,000 out of the Treasury that belongs to the people to-day, if we repeal the excise-tax provision under which money is now being col-

lected for the Government and give it to the Federal reserve system, and then say that, in order that the United States Treasury may not have any such control as it has had we are going to remove the Secretary of the Treasury from the board, for no other purpose on earth except to keep him from having any influence on it, we are going to put this bill in such shape that there will be no chance on the living earth that it will pass the body at the other end of the Capitol. It can not pass.

I say to Senators who are in favor of this bill that I am undertaking to help them pass the bill. They may not think so, but I am undertaking to help them pass the bill. I see the Senator from Virginia smiles; but I am trying to help him pass the bill, provided it is my kind of a bill. [Laughter in the galleries.]

The VICE PRESIDENT. Let there be no demonstrations in the galleries.

Mr. LONG. So, Mr. President, I submit there is no harm to be done by keeping the Secretary of the Treasury on the board. Nobody has pointed out any harm that will follow. I am arguing on the side of the conservatives against a revolutionary process at this time. I am working against those who favor this bill taking this revolutionary step of divorcing the Secretary of the Treasury from the Federal Reserve Board. If you take the Secretary of the Treasury off the Federal Reserve Board, you have not any way of explaining it, except, as the Senator from Virginia very graciously and openly admits, that it is done for the reason that he does not want the Secretary of the Treasury of the United States to have too much influence on the Federal Reserve Board.

The Senator from Virginia says I want the United States Treasury to go further than it has ever gone. "I want it to put \$125,000,000 that belong to the people in this adventure which I am attempting to create here." It is an adventure. It is a speculation to which the Government is made a party. The Government is made a partner in this speculation, to this extent, that it puts up money and the Secretary of the Treasury is taken off the board when it comes to managing it. Now, if you are going to do that, I want to say to the Senators who are supporting this bill the only way on earth they can, to any reasonable extent, justify this kind of legislation is not to open up the gap here and take the representatives of the Government off the board. If you take the representatives of the Government off the board and make this all the more a financial set-up—and that is all it is going to be—for the financiers of this country, when you get through with it you are going to give this bill an odor and suspicion that there will not be any reasonable man on earth who will be able to explain it.

Mr. GLASS. Mr. President, I have not cared further to delay the Senate, and I am impressed by the belief that it is useless to do it. There is no doubt about the fact that this bill is saturated with so much odor that it involves a task to deodorize it and brush away the rubbish and have people understand simple propositions.

The Federal Reserve Board is as much a Government board and is as nearly related to the people of this country as is the Secretary of the Treasury or the Comptroller of the Currency, even more so than the Comptroller of the Currency, whose term of office overlaps the term of the President of the United States, being for a 6-year period. The members of the board are appointed by the President of the United States, by and with the advice and consent of the Senate of the United States. The President is authorized by law to remove any one of them and all of them that he may please to remove. Therefore it is strictly a Government board and only a Government board. If it does anything radically to displease the President of the United States, he may displace them with another board. So there is nothing on earth to that argument.

The proposition of taking \$125,000,000 of the people's money has no application to this provision of the bill. The Senator from Louisiana ought to acquaint himself with the provisions of the bill and not make utterly inaccurate statements about it. The Government does not furnish all the money to the liquidating corporation, as the Senator has

stated. It does not furnish even one-half the money. The greater portion of the fund, under the text of the bill, is to be provided by the Federal reserve banks themselves and by a one-fourth of 1 per cent assessment upon the member banks. The Government is simply to subscribe \$125,000,000 to the capital of the liquidating corporation.

Mr. LONG. Mr. President—

The VICE PRESIDENT. Does the Senator from Virginia yield to the Senator from Louisiana?

Mr. GLASS. What is the liquidating corporation for? The Senator from Louisiana seems to think that this money goes to some banks. The money does not go to any banks; it goes to a liquidating corporation under the administration of the Federal reserve system, to avoid setting up another expensive bureau with its overhead. Not a dollar of it goes to any banks except as the liquidating corporation may earn profits and pay dividends.

For what purpose is it proposed to be erected? For the benefit of the banks? No; but for the benefit of innocent depositors in banks, for the benefit of people who have put their money into the banks. When banks fail this fund is to be appropriated to relieve all the depositors. There are two and a half billions of dollars tied up in that way now, going through the tedious, slow, and sometimes almost interminable process of receiverships. All the liquidating corporation is designed to do is to expedite the process and give back their money to the depositors in closed banks. It is not done in the interest of any bank.

Mr. LONG. Mr. President, will the Senator yield?

Mr. GLASS. Yes; I yield.

Mr. LONG. Then how is it going to hurt if the Secretary of the Treasury is on the board?

Mr. GEORGE. Mr. President, may I ask the Senator from Virginia if the stock in the liquidating corporation is not issued directly to the Secretary of the Treasury?

Mr. GLASS. Oh, no! It is stock taken by the United States Government.

Mr. GEORGE. But does it not stand in the name of the Secretary of the Treasury under the bill?

Mr. GLASS. Yes.

Mr. GEORGE. I thought so.

Mr. GLASS. Oh, yes; undoubtedly it stands in the name of the Secretary, and the Government gets its dividends upon its contribution to the capital stock just as the member banks will get their dividends, and just as the surplus fund of the Federal reserve bank will derive its dividends.

Let me repeat to the Senate, if I may, that the idea that this excise tax is taken away from the people and devoted to the uses of banks is a fallacy. As I have already stated, the excise tax goes to maintain the surplus of the Federal reserve banks, and the surplus of the Federal reserve banks is used to accord accommodation to member banks; and when it accords accommodation to member banks—that is, the individual banks—it to that extent enables the individual banks to accord accommodation to people who want to borrow money and conduct their business. So that it is not in behalf of any bank. It is in behalf of the business people of the country, and, as I have said, in behalf of those people who are employed by the business people of the country.

That, however, has nothing to do with this particular provision of the bill. This particular provision of the bill is simply designed to divorce the Treasury from this altruistic Federal Reserve Board, a public institution appointed by the President of the United States with the sanction of the Senate of the United States; and I contend from my own experience and from observation that the influence has been unwholesome. It has diverted from commerce, from industry, from agriculture the thought and activities of the Federal reserve system, and applied them in very large measure—a preponderating measure—to the activities of the Treasury in floating its investment securities.

As to all of this talk about "the interests," I am sure I do not have to appeal to the Senate to divest its mind of that sort of thing. "The interests" have nothing to do with it. It is a proposition that has been discussed now for 18 years;

and the best banking experience and advice, as well as that of the Federal Reserve Board itself, is that it were better to dissociate the Secretary of the Treasury from a dominating influence in the board, to have all of the activities of the system and all of its concerns applied to the business interests of the country.

Mr. LONG. Mr. President—

The VICE PRESIDENT. Does the Senator from Virginia yield to the Senator from Louisiana?

Mr. GLASS. I yield to the Senator.

Mr. LONG. The Senator has stated that this stock in the liquidating corporation, as the Senator from Georgia has pointed out, will be in the name of the Secretary of the Treasury. He will, therefore, according to the Senator from Virginia, own somewhere near 50 per cent of the stock of the liquidating corporation.

Mr. GLASS. No; he may not own one quarter of the stock.

Mr. LONG. Well, let us say it is 25 per cent. He will be the dominant stockholder. Does the Senator know of another case in all of our national legislation where an official or a person vested with ownership of between one-fourth and one-half the capital stock of a corporation is by law excluded from membership of that board?

Mr. GLASS. Oh, the Government has complete membership of the board. The member who will be appointed by the President of the United States to supersede the Secretary of the Treasury of the United States will be appointed by the same President who will appoint the Secretary of the Treasury. There is not even the difference between tweedledee and tweedledum.

Mr. BLACK. Mr. President, will the Senator yield?

Mr. GLASS. I yield.

Mr. BLACK. May I ask a question for information? I am not familiar with this particular matter.

This argument, as I understand it, is over the ex officio member of the board.

Mr. GLASS. The ex officio member of the board.

Mr. BLACK. Would not the President have the right, if he saw fit, to appoint the Secretary of the Treasury? Is there any law which prohibits it?

Mr. GLASS. To appoint the Secretary of the Treasury?

Mr. BLACK. Suppose he desired to appoint the Secretary of the Treasury as one of the active members. Could he or could he not do so? I am asking for information.

Mr. GLASS. I hardly think that would be congruous. It would be very different from the purpose which we have in mind to have the President do that.

Mr. BLACK. As I have read the bill, the President would have the right to do it if he so desired.

Mr. GLASS. Oh, possibly.

Mr. BLACK. I do not myself think it would be advisable.

Mr. LONG. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Virginia yield to the Senator from Louisiana?

Mr. GLASS. I yield.

Mr. LONG. He would be a dual officer unless he were an ex officio officer before. He could not hold the two offices.

Mr. GLASS. No; he could not be paid by both, and it is very doubtful whether he could hold both; but that is not involved.

Mr. President, I do not care to take the time of the Senate further. If I am to get up here over and over again and correct inaccuracies of statement and errors of judgment I may not live long enough to be Secretary of the Treasury myself. [Laughter.]

Mr. LONG. Mr. President, how much time have I left of my original hour?

The VICE PRESIDENT. Thirty-five minutes.

Mr. LONG. Mr. President, the Senator from Virginia would not have to correct errors if he did not contradict himself. Here is where the Senator from Virginia, in speaking of the Secretary of the Treasury, meets himself coming back:

He states that the theory and logic of this board were that they had to divorce the Treasury Department from the

Reserve Board; and yet they are keeping the Comptroller of the Currency, a minor officer of the Treasury Department, as a member of the Federal Reserve Board. It could not be that they thought there was any logic in having a complete severance of the Treasury Department and the Federal Reserve Board; otherwise, they could not stand here to-day and contend that they had any right to keep the Comptroller of the Currency on the board, if they were doing that.

Mr. GLASS. Mr. President, the Senator is mistaken there again. I hope my voice will hold out long enough to enable me to point out the mistakes that are made here.

The Comptroller of the Currency is not a minor official of the Treasury Department. He holds an independent office for a longer period than the Secretary of the Treasury himself. He makes his report, not to the Secretary of the Treasury, but directly to the Congress of the United States.

Mr. LONG. Is it not a fact that he is usually appointed on the recommendation of the Secretary of the Treasury?

Mr. GLASS. Oh, all of them are; and that is one reason why I want to get the Secretary of the Treasury off the board.

Mr. LONG. All right. I do not mean that he is a minor official. I mean he is minor to the Secretary of the Treasury himself. But the Senator admits and states and reaffirms that the comptroller is a part of the patronage of the Secretary of the Treasury, of his own office. He is part of the Treasury Department; and if there is any principle that we are trying to serve here that we ought to take the Secretary of the Treasury off this board then why do they claim that the Comptroller of the Currency should be on it, but the Secretary of the Treasury should not?

Mr. BARKLEY. Mr. President, will the Senator yield there?

Mr. LONG. Just a minute, and I will yield. Why have they left the comptroller and taken off the Secretary of the Treasury? They have left the man who has the least power. They have left the man who can be gotten to the least from the President and from the Senate and from the House of Representatives of the United States. They have left everything there that would serve to dispute the principle they are talking about, and they have put there a man who can wield the least influence in the conduct of this board; and they have done this.

I defy the distinguished Senator from Virginia [Mr. GLASS] or the Senator from Kentucky [Mr. BARKLEY] or any other one of the gentlemen sponsoring this bill to show me an instance of any public corporation created where the dominant stockholder was by law excluded from membership on the board.

Referring to the question which the Senator from Alabama [Mr. BLACK] asked the Senator from Virginia, let me say, no; the Secretary of the Treasury could not be appointed a member of this board unless he is made ex officio a member, because he could not be a dual officer and draw the two salaries; and I do not think he could be a dual officer at all. The only way that the Secretary of the Treasury could be represented on this board is by being made ex officio a member by this act.

Now I yield to the Senator from Kentucky.

Mr. BARKLEY. Mr. President, I think the Senator loses sight of the fact that the liquidating corporation has nothing to do with the administration of the Federal reserve act. This is an independent organization, set up here to deal with a condition brought about through this depression which has resulted in the closing of so many banks. It is organized in order that there may be sums provided to aid these banks in paying their depositors.

The Secretary of the Treasury has no official connection with the control of national banks, but the Comptroller of the Currency is in direct control of all national banks in this country. He is now in charge of all those which have closed. Therefore, this board of directors is merely substituted to some extent in control of banks that are already closed for the single individual, now known as the Comptroller of the Currency.

It seems to me that that furnishes additional reason why the Secretary of the Treasury is not needed on this board, and why the Comptroller of the Currency probably ought to be on it, because at the present time he is not only in control of but is undertaking to liquidate, through receiverships and under his direction, all these national banks that have closed and are still unliquidated.

With reference to the Senator's suggestion about no private corporation's having a fourth of the stock without being represented by a director, of course I presume that that is true, although I have known instances where men were made directors of private corporations who did not have more than one share of stock, because of the value that they might have upon such a board, while other members of the corporation with large blocks of stock did not enjoy the position of director. As a matter of fact, however, we are dealing with a peculiar situation. It seems to me we can not lay down in this legislation the ordinary rules that would apply to a private corporation.

Even applying those rules, and saying that the \$125,000,000 represented our appropriation to the capital stock of this liquidating corporation, or the representation of the board, I contend that all of these men represent the public, they represent the Treasury, they represent the people; and there is no more virtue in having the Secretary of the Treasury, appointed by the President, on this board than any other of the seven, so far as the public is concerned. But even if the Treasury does need representation, the fact that the man who is now in control of all these banks, both liquidated and unliquidated, closed and unclosed, in remaining on the board seems to offer sufficient representation.

Mr. LONG. Mr. President, the Senator and I understand each other perfectly, but there is this fundamental difference: His stand would take the Government out of the Federal Reserve Board all the time, and while he does not see it, it would have this effect. Everyone who has had any experience in appointing these boards—and I am certain that my distinguished friend from Kentucky has had as much as I have—knows that they are appointed and they move out, they go into another element, they are in another sphere; we never see them, we never hear of them. It is as hard as nails to get to them. Unless we keep the working machinery of the Government part of this board, it is going to be farther and farther removed.

Think of the power this board has. It is in control of the discounts, not only of the United States but in control of the discounts almost of the world. There was never anything like it before.

Then what further power it is given. It would be given the power, through this liquidating corporation, practically to dry up every little State bank in this country that was not a member of the Federal reserve system. I say that if this measure shall be enacted, it will be a matter of physical impossibility to keep a bank open in the United States unless it does come into the Federal reserve system.

I do not think I am at cross purposes with what the Senator from Virginia intends to have done, because, as I read his Alphonse and Gaston exchanges with the Hon. Eugene Meyer, when the latter was a witness before the committee, the Senator from Virginia said, "If you want to do away with the dual banking system, I can go in with you," and Mr. Meyer said, "That is the thing I am willing to do." In other words, it is patent what they are going to try to do to-day, and what they intend to do, that is, to do away with the State banks of the United States. The Senator from Virginia and the present head of the Federal Reserve Board, Mr. Eugene Meyer, have said that in open hearing, and it is down in the testimony I have, if there is any dispute of that statement by anyone.

The board has not only the power I have mentioned, but the Reconstruction Finance Corporation, with its limited powers, can lend money, as this liquidating corporation is supposed to lend, to any bank. Whether it is a member of the Federal reserve system or not, they can make this kind

of an advance to any bank that closes in order to enable it to liquidate its deposits, and to pay off its people and reorganize. But if this liquidating corporation is brought into existence, we will be saying, in effect, that the other State banks of the United States can not receive that kind of help, but that it will be extended only to one that has made itself a member of the Federal reserve system.

I say to Senators that they will rue the day when they take the Secretary of the Treasury off the Federal Reserve Board. Let Senators remember what I am telling them; they will rue the day when they put the entire discount facilities, liquidating facilities, currency facilities, into the hands of these appointed men, and take off the board the Secretary of the Treasury. They will rue the day when they allow this kind of thing to go through. Remember what I am saying. There is regret already that they have been given the power already accorded them. They gave the State banks assurance that they would not try to close them up if this membership were created, but it has gotten to the point where those banks have to struggle for life unless they make themselves a part of it.

Now, the proposal is to create a liquidating corporation, over one-fourth of the stock of which will be in the hands of the Treasury of the United States. But it is said, "We will not even allow the Secretary of the Treasury, who has been a member, to remain a member," after they have put up \$125,000,000, and waived the excise taxes. The door is closed for help's ever again being administered to any bank except one under the specified favoritism of the Federal reserve system, and it is proposed that there be taken away the possibility for the help those banks are getting now.

The Senator from Michigan knows I am stating the facts about this matter. He knows that to-day the Reconstruction Finance Corporation is extending help such as is supposed to be extended by the proposed liquidating corporation, to banks which are members of the Federal reserve system, and to banks which are not members of the Federal reserve system.

Mr. THOMAS of Oklahoma. Mr. President—

The PRESIDING OFFICER (Mr. HEBERT in the chair.) Does the Senator from Louisiana yield to the Senator from Oklahoma?

Mr. LONG. I yield.

Mr. THOMAS of Oklahoma. Does the Senator know of any dispute or dissent from the policy announced by him just now, that it is the purpose of some of those back of this bill, here and elsewhere, to force into the national banking system all existing banks, including State banks; in other words, to kill off all State banks if they do not become national banks? Does the Senator know of any dissent from that purpose?

Mr. LONG. I know I dissent from it. I know that I think it is one of the most ruthless things ever done, and I am undertaking to have this bill amended now so that that can not be done.

Mr. BULKLEY. Mr. President, will the Senator yield to me?

Mr. LONG. I yield.

Mr. BULKLEY. I will say there is plenty of dissent, and no such thing has ever been seriously contemplated.

Mr. LONG. Let us see, now. Has the Senator a copy of the report of the hearings, when Mr. Eugene Meyer was on the stand, not hearings on the pending bill, because there were no hearings on the pending bill, but on the bill that was being considered before? I can almost quote the words. Mr. Meyer was on the witness stand, the Senator from Virginia was questioning him, and I think the Senator from Ohio was there at the time—the record will show. The Senator from Virginia either told Mr. Meyer, or Mr. Meyer told the Senator from Virginia, "I wish to get rid of the dual banking system existing in this country." Mr. Meyer or the Senator from Virginia then replied, "I will help you if that is what you want to do. I am right here to help you." That was the interchange. What did that mean? It meant that the purpose behind this bill was

nothing on the living earth except an attempt to do away with the dual banking system, and that meant only one thing, that the State bank system of the 48 States had to go.

Mr. GLASS. Mr. President, if I may interrupt the Senator, there is not a provision in the pending bill that contains a suggestion, the remotest suggestion, that might be related to anything Mr. Meyer said on that subject or anything the Senator from Virginia said on the subject.

Mr. LONG. I differ from the Senator.

Mr. GLASS. As a matter of fact, the governor of the Federal Reserve Board suggested that he wanted to be rid of the dual banking system. I had not the remotest idea in the world that we could be rid of the dual banking system, as much as I could hope that we might be; but there is not a provision in this bill that in the remotest way contains a suggestion which may be related to that problem at all.

Mr. LONG. Mr. President, I differ with what the Senator from Virginia says materially, for these reasons, that there is carried in this bill the provision that only a member of the Federal reserve system can have the accommodations of the liquidating corporation. It is proposed to take money of the people of the United States to build up a liquidating corporation to accommodate only this one set of banks. The proposal is to deny to any other bank the help of the liquidating corporation altogether. It would be only a member of the particular banking system that could receive any help whatever from the liquidating corporation. But it is proposed to take the money of the people of the United States and set up this liquidating corporation.

Mr. GLASS. Mr. President, I will ask the Senator if there is a State bank on earth that ever contributed a 10-cent piece, except those that were members of the Federal reserve system, to establish the Federal reserve system, or that expends a 10-cent piece to maintain the Federal reserve system?

Mr. LONG. In answer to the Senator, I will say that they have more than done that.

Mr. GLASS. They have not done any of it.

Mr. LONG. There have been rights and privileges, and not only privileges, but super privileges, that have been exercised by the Federal reserve system, and the banks of the Federal reserve system, that have been such a drain upon the little banks that they have put them out of business. The first thing taken away from them was the right to charge exchange. There was taken away from the little country banks the right to charge exchange. That has been one of the biggest things that has ever been done to put State banks out of business.

That is not all that was done to exhaust the State banks of money. The \$125,000,000 proposed to be given these people is to-day a part of Government funds in the Treasury, and it is proposed to take the money out of the Treasury of the United States and put it into this situation to-day, for nothing except this particular class of banks, and denying many, many other banks of this country are denied the right to any of it. From 25 to 50 per cent of that money is stock that is in the name of the Secretary of the Treasury of the United States, who is now a member of the board, and it is proposed that he be taken off the board. Those are facts.

Mr. GLASS. The Senator ought to know perfectly well that a State bank which is not a member of the Federal Reserve system can charge all the exchange it pleases to charge; but it can not use a system to which it contributes nothing for that purpose. What we did was to impose upon the members of the Federal reserve banking system an obligation to quit robbing the merchants and the business men, and stop taking off a part of every check some little fellow might present for cashing it. That is what we did. The Senator talks about speaking for the people. Now he is speaking for the banks who want to rob the people.

Mr. LONG. No; I am not speaking for banks which want to rob the people. I am speaking for the little bank out at the fork of the road, that lends the boys and girls

of this country, boys like me, the last \$100 with which to go to college. They could not, with a sledge hammer, get the money from these men to whom I am referring.

Mr. BARKLEY. Mr. President, does the Senator refer to little old banks at the crossroads that are members of the Federal reserve system?

Mr. LONG. Some of them are and some of them are not.

Mr. BARKLEY. Congress has no power—

Mr. LONG. The Senator has been out of the Chamber.

Mr. BARKLEY. I was called from the Chamber for a few moments, but I did hear the latter statement of the Senator with reference to the little bank at the crossroads. We have not attempted to take away from any bank not a member of the Federal reserve system the right to charge exchange, but we did try to make a uniform rule with reference to banks, whether they are National or State.

Mr. LONG. The Senator has lost touch with what was going on. I will restate it for the Senator's information. A colloquy arose when the Senator from Virginia asked me if the country banks that were not members of the Federal reserve system had ever contributed a dollar to the Federal reserve system.

Mr. BARKLEY. I heard that.

Mr. LONG. I told him that they were being deprived of their interest, and in that way had been deprived of a resource they had formerly enjoyed.

Mr. BARKLEY. I do not want to take the Senator's time—

Mr. LONG. I ask unanimous consent that I be given 15 minutes more time.

Mr. BULKLEY. I object.

Mr. BARKLEY. I withdraw the interruption.

The PRESIDING OFFICER. Objection is heard.

Mr. LONG. I now have the testimony before me to which I referred. I do not undertake to discredit the Senator from Virginia.

Mr. GLASS. The Senator can not discredit the Senator from Virginia. I hope he does not imagine that he can.

Mr. LONG. I admit that. I admit that I could not if I tried to, and I am certainly not going to try to. I may be trying to give the Senator himself the particular functions I am contending ought to be exercised by the Government; I do not know. There is no question on this point; the proposal is to take money, part of which to-day belongs to these other banks. I want the Senator from Kentucky to understand this, that the \$125,000,000 I am arguing about to-day is proposed to be used to create a liquidating corporation which can not be availed of except for the interests of the Federal reserve banks. Whether it is intended to be done or not, it is done for the purpose of destroying all State banks that were not in the Federal reserve system.

Mr. THOMAS of Oklahoma. Mr. President, will the Senator yield to me?

Mr. LONG. I yield.

Mr. THOMAS of Oklahoma. I join the Senator from Louisiana in the belief that this is the beginning of the destruction of all State banks. When this bill becomes operative we will have only national banks.

Mr. LONG. That is all.

Mr. THOMAS of Oklahoma. We will have national banks throughout the United States in the end; we will have branches in our possessions and dependencies and branches throughout the world. At this time there are something like \$55,000,000,000 of resources in the banks of the United States. With the genius for organization of the United States, under this system we will have as many banks as there are in Canada—10—with their branches, and divide those \$55,000,000,000 of resources among the 10 banks. There will be the system of chain banks—about 10 of them—with probably the weakest bank having resources of \$5,000,000,000, perhaps the strongest bank with \$20,000,000,000, with branches throughout the United States and throughout our possessions, and throughout the world. Does not the Senator think that the Government should have the Secretary of the Treasury as a liaison officer between the board

and the Government to manage that vast system of influence not only here but throughout the world?

Mr. LONG. I do, sir; I certainly do. If for no other reason, if there were no other reason for the bill, I think there should be some barricade on behalf of the people set up to prevent this materialistic policy which is evidently, while not so intended, as the Senator from Virginia said, sure to be the result.

Mr. THOMAS of Oklahoma. Mr. President—

The PRESIDING OFFICER. Does the Senator from Louisiana yield further to the Senator from Oklahoma?

Mr. LONG. Certainly.

Mr. THOMAS of Oklahoma. Does the Senator believe that the centralization of the financial power in one board, with probably 10 chains under it, squares exactly with the principles of democracy as set forth by Jefferson, Jackson, and the Democratic Party from time immemorial?

Mr. LONG. No, sir. We are making exactly the same fight that Andy Jackson made against the Bank of the United States. If Senators will go back and read the message which was sent by Jackson to the Congress of the United States in opposition to the Bank of the United States on the ground that it would create a monopoly controlling the credit and the currency of the country, they will find very little difference from the existing situation. There is very little reason that he gives that does not apply strictly against the legislation that is pending here to-day.

I think I can quote from the Senator from Virginia, if I have the time now:

Senator GLASS. I have not done anything but worry for 14 months. [Laughter.]

That is what Senator GLASS said.

Mr. MEYER. We feel the responsibility is on sturdy shoulders, Senator.

Senator GLASS. You do not seem to have much regard for the shoulders. [Laughter.]

Mr. MEYER. Of course, I will call your attention to this, Senator: As indicated in the letter transmitting the memorandum, it should be recognized that effective supervision of banking in this country has been seriously affected by the competition between member and nonmember banks. I think branch banking, under a unified banking system, would meet with a great deal of support. I know it would from me.

Senator GLASS. Can you suggest to us a constitutional method of creating a unified banking system in this country?

A unified banking system! Just what Gen. Andy Jackson told this very United States Senate when he sent his message here in relation to the proposed Bank of the United States, that it would create a unified bank system in the country. All we have to do is to go back and take the old charter of the Bank of the United States to find this same proposal!

Mr. MEYER. Well, I do not know how to do that, but I believe it can be done by taxation or some other method. I do not think there is any doubt about the ability to do it. The principal thing about being able to do something is to want to do it.

Senator GLASS. We have wanted to do it.

Mr. MEYER. Do you want to bring about unified banking?

Senator GLASS. Why, undoubtedly; yes.

Mr. MEYER. I will be glad to help you.

Senator GLASS. I think the curse of the banking business in this country is the dual system.

Mr. MEYER. Then the board is entirely in sympathy with the committee on that subject.

Senator GLASS. Then let us get your recommendation.

Mr. MEYER. We will try to prepare one for you.

Senator GLASS. Let us get it quickly then, if you please.

Yes; hurry, hurry, hurry, and get a unified banking system here. That is the point.

Mr. GLASS. Mr. President—

The PRESIDING OFFICER. Does the Senator from Louisiana yield to the Senator from Virginia?

Mr. LONG. Certainly.

Mr. GLASS. There has not been any question about my attitude on that. I have been entirely consistent about it.

Mr. LONG. I said that.

Mr. GLASS. I would like to see a unified banking system, but I very gravely doubt whether we can ever have it constitutionally, so what is the Senator arguing about?

Mr. LONG. I do not think we should have an argument. I was undertaking to show that the Senator from Ken-

tucky and the Senator from Ohio, apparently, and even the Senator from Virginia, although I probably misunderstood him, seem to doubt that this was the idea of the Senator from Virginia about the matter.

Mr. GLASS. Oh, no. What I said is that there is not a suggestion in the bill—

Mr. LONG. The point I am trying to make, if the Senator will bear with me, is that he has taken \$125,000,000 of the people's money to afford liquidating facilities to such corporations as will come into a unified banking system and denied the right of the use of that money to other banks who do not come into the unified system. The only thing they can do is to get into the unified bank system or close their doors. The Senator is taking money that belongs as much to those people who are not in this system, because it is money belonging to the Treasury of the United States and not to the Federal reserve banks at all—he is taking the money of the people, not to build up but to destroy every bank that does not come into the unified system.

Mr. GLASS. As a matter of fact, the Senator ought to know, if he does not know, that we allocated \$200,000,000 to the Reconstruction Finance Corporation to aid the depositors in closed banks—

Mr. LONG. I have stated that.

Mr. GLASS. Including State banks.

Mr. LONG. That is right. I have stated that.

Mr. GLASS. In this liquidating corporation we are simply proposing to invest \$125,000,000 of Treasury money that I think ought to be appropriated outright because it has no equity in it—to do what? To aid the depositors of failed banks, whether national banks or whether State banks. If they want to avail themselves of this privilege all they have to do is to join the Federal reserve system. That is all.

Mr. THOMAS of Oklahoma. Mr. President—

The PRESIDING OFFICER. Does the Senator from Louisiana yield to the Senator from Oklahoma?

Mr. LONG. Certainly.

Mr. THOMAS of Oklahoma. Does not the Senator from Louisiana share my viewpoint that some of those back of the bill are not so much interested in the poor depositor as they are in having a club to force the State banks into this system which they are now trying to foist upon the people of the United States?

Mr. LONG. Yes. The sympathy expressed for the poor depositor is something funny. He is to be given a club at the back of his head and told that if he does not put his money into this unified system, then he may as well kiss his deposits good-by.

Mr. BARKLEY. Mr. President—

The PRESIDING OFFICER. Does the Senator from Louisiana yield further to the Senator from Kentucky?

Mr. LONG. Certainly.

Mr. BARKLEY. Of course, we all understand that no bank, whether a national bank or State bank, is going to get any benefit from this system unless it has joined it. We did precisely the same thing in the last session when we appropriated \$125,000,000, which was the money of all the people, for the benefit of the Federal farm loan system in order that it might continue to function for the benefit of the landowners who represented only 12 per cent of the farm borrowers of the United States.

If the Senator's logic with reference to this bill were carried to its conclusion, we ought to have appropriated eight times \$125,000,000 for the benefit of all the insurance companies, private loaning interests, building and loan associations, and so forth, that have made loans upon land. We took \$125,000,000 out of the Treasury of the United States that belonged to all the people for the benefit of 12 per cent of the farm owners who borrowed money through the Federal land system.

What is the difference between that situation and the situation here where we are taking the same amount of money out of the Treasury to buy stock in a corporation in order that closed banks, both national and State, that are within the system should receive help to pay their depositors?

Mr. LONG. Here is the difference: It is true that provision was made for the State banks through the Reconstruction Finance Corporation; but when the Reconstruction Finance Corporation, which is a temporary body, goes out of business they no longer have the \$200,000,000 left. That is for both member and nonmember banks; but in this case the money is to be given only to a unified bank system.

Mr. BARKLEY. The Senator uses the word "give." It is an investment only. The other was an investment also.

Mr. LONG. It is a venture. But the fact remains that it is proposed to give the benefits of this liquidating corporation to whom? They are to be given only to a unified banking group that is intended, and was originally intended, and I believe is still intended, to be a chain group. The same help that is given to these Federal reserve banks is denied to nonmembers, except what the Reconstruction Finance Corporation is now doing for them, and that is a temporary matter; but the liquidating corporation can not be availed of except through the Federal Reserve Board.

That being the case—and I do not see how it can be disputed—it is necessary, it is positively mandatory, that every institution in the country that wishes to put up whatever securities they may have back of their deposits, shall go into the Federal reserve system or close its doors, and that means more closing of doors than it does banks coming into the Federal reserve system. It means that the common money belonging to all the people of the United States is being taken and put into this venture. It means that public money is being taken for a venture to serve the unified banks and to keep it away from the small banks.

Mr. BARKLEY. Does the Senator think that the bill offers an inducement to any State bank not now in the Federal reserve system to come in and then close in order that it may receive the benefits of the law?

Mr. LONG. No; it will not get in at all.

Mr. BARKLEY. That is what it would have to do.

Mr. LONG. Oh, no.

Mr. BARKLEY. That is exactly what it would have to do.

Mr. LONG. What I am trying to tell the Senator, which probably he does not understand because I am so dense in my explanations that I am probably not getting it across to him, is this—

Mr. THOMAS of Oklahoma. Mr. President—

The PRESIDING OFFICER. Does the Senator from Louisiana yield to the Senator from Oklahoma?

Mr. LONG. I yield.

Mr. THOMAS of Oklahoma. Is it not a fact that this liquidating provision has the force and effect of a guaranty of deposits?

Mr. LONG. That is what it is supposed to be.

Mr. THOMAS of Oklahoma. If this provision goes into effect, banks will have to go into the system in order to get any of its benefits, or suffer the loss of their deposits and leave their doors closed.

Mr. LONG. Certainly. In other words, this is supposed to be a kind of bank guaranty, but it is not.

Mr. GLASS. Mr. President—

The PRESIDING OFFICER. Does the Senator from Louisiana yield to the Senator from Virginia?

Mr. LONG. Certainly.

Mr. GLASS. Does not the eminent Senator from Louisiana think that he has enough misstatements of his own to answer for without concurring in those of his colleague from Oklahoma?

Mr. LONG. The only way I can get the Senator from Virginia to admit that I have not made a misstatement is to read his testimony, and then he gets up and says, "We knew that all the time." I have not time enough to go back and trace all his other testimony. If I had time I would like to read the book that he wrote. "Oh, that mine adversary would write a book."

Mr. THOMAS of Oklahoma. I have a few amendments in my hand which were proposed to the bill, and I find some of them were proposed by the Senator from Virginia. I thought this was a perfect piece of legislation when it came upon the floor of the Senate.

Mr. GLASS. That is another misunderstanding to add to the long list of misunderstandings on the part of the Senator from Oklahoma.

Mr. LONG. I am certain the Senator from Virginia did not understand the Senator from Oklahoma. He said that the bill having come from the pen of the Senator from Virginia, certainly it should not be subject to amendment. I agree with the Senator from Oklahoma.

Mr. GLASS. In other words, the Senator from Louisiana accepts another misstatement, as a matter of fact.

Mr. LONG. All right. I think I have gone far enough on this matter.

Mr. BARKLEY. Amen!

Mr. LONG. The Senator from Kentucky has spoken most of the time I have been on the floor.

Mr. BARKLEY. I merely wanted to inject a little information into the body of the Senator's speech.

Mr. LONG. If we are going to offer now to give away the money of the Government, we might as well know it. I am trying to help the Senator from Virginia save his bill, deodorize it, take off the odor he insisted on putting on it since it was brought here, and give Senators some understanding of the so-called benefits that it is claimed will come from the bill, but which I very seriously doubt.

The PRESIDING OFFICER. The time of the Senator from Louisiana has expired. The question is on the amendment of the Senator from Louisiana.

Mr. COUZENS. Let us have the amendment read.

The PRESIDING OFFICER. The amendment will be read for the information of the Senate.

The LEGISLATIVE CLERK. On page 10, line 5, strike out the words "seven members, including" and insert in lieu thereof "eight members, including the Secretary of the Treasury and."

Mr. COUZENS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Ashurst	Dale	Kean	Schall
Austin	Davis	Kendrick	Schuyler
Bailey	Dickinson	Keyes	Sheppard
Barbour	Dill	King	Shipstead
Barkley	Fess	Lewis	Smith
Bingham	Fletcher	Logan	Steiger
Black	Frazier	Long	Thomas, Idaho
Blaine	George	McGill	Thomas, Okla.
Borah	Glass	McNary	Townsend
Bratton	Goldsborough	Metcalf	Trammell
Brookhart	Gore	Moses	Tydings
Bulkley	Grammer	Norbeck	Vandenberg
Bulow	Hale	Nye	Wagner
Byrnes	Harrison	Oddie	Walcott
Capper	Hastings	Patterson	Walsh, Mass.
Caraway	Hayden	Reed	Watson
Connally	Hebert	Reynolds	Wheeler
Coolidge	Howell	Robinson, Ark.	White
Costigan	Hull	Robinson, Ind.	
Couzens	Johnson	Russell	

The VICE PRESIDENT. Seventy-eight Senators have answered to their names. A quorum is present. The question is on the amendment of the Senator from Louisiana [Mr. LONG].

Mr. BARKLEY and Mr. BULKLEY asked for the yeas and nays, and they were ordered.

Mr. DILL. Mr. President, I should like to have the amendment read.

The VICE PRESIDENT. Let the amendment be read.

The CHIEF CLERK. On page 10 of the original print of the bill, line 5, it is proposed to strike out "seven members, including" and insert in lieu thereof "eight members, including the Secretary of the Treasury and."

The VICE PRESIDENT. The yeas and nays having been ordered, the clerk will call the roll on the amendment of the Senator from Louisiana [Mr. LONG].

The Chief Clerk proceeded to call the roll.

Mr. FESS (when his name was called). On this vote I have a pair with the senior Senator from New York [Mr. COPELAND]; but I understand, were he present, he would vote as I intend to vote, and therefore I feel free to vote. I vote "nay."

The roll call was concluded.

Mr. ROBINSON of Indiana. I have a general pair with the junior Senator from Mississippi [Mr. STEPHENS]. In his absence, not knowing how he would vote, I withhold my vote.

Mr. TOWNSEND (after having voted in the negative). I have a general pair with the senior Senator from Tennessee [Mr. McKELLAR]. I understand, if present, he would vote as I have voted. Therefore I will let my vote stand.

Mr. GLASS. I wish to announce that my colleague [Mr. SWANSON] is necessarily detained from the Chamber. If he were present, he would vote "nay."

Mr. BULKLEY (after having voted in the negative). I have a general pair with the junior Senator from Wyoming [Mr. CAREY]; but as I understand his position on this question is the same as mine, I will let my vote stand.

Mr. SHEPPARD. I wish to announce that the Senator from Montana [Mr. WALSH], the Senator from Nevada [Mr. PITTMAN], the Senator from Mississippi [Mr. STEPHENS], the Senator from Tennessee [Mr. McKELLAR], the Senator from West Virginia [Mr. NEELY], and the Senator from Louisiana [Mr. BROUSSARD] are absent on official business.

Mr. FESS. I wish to announce the following general pairs:

The Senator from West Virginia [Mr. HATFIELD] with the Senator from Missouri [Mr. HAWES];

The Senator from Illinois [Mr. GLENN] with the Senator from Virginia [Mr. SWANSON];

The Senator from Wisconsin [Mr. LA FOLLETTE] with the Senator from Nevada [Mr. PITTMAN]; and

The Senator from California [Mr. SHORTRIDGE] with the Senator from West Virginia [Mr. NEELY].

I wish also to announce that the Senator from California [Mr. SHORTRIDGE] is detained from the Senate on official business.

The result was announced—yeas 14, nays 62, as follows:

YEAS—14			
Brookhart	Dale	Reynolds	Thomas, Okla.
Bulow	Frazier	Russell	Wheeler
Capper	Logan	Schuyler	
Caraway	Long	Shipstead	
NAYS—62			
Ashurst	Dickinson	Johnson	Schall
Austin	Dill	Kean	Sheppard
Bailey	Fess	Kendrick	Smith
Barbour	Fletcher	Keyes	Steiner
Barkley	George	King	Thomas, Idaho
Bingham	Glass	Lewis	Townsend
Black	Goldsborough	McGill	Trammell
Blaine	Gore	McNary	Tydings
Borah	Grammer	Metcalf	Vandenberg
Bratton	Hale	Moses	Wagner
Bulkeley	Harrison	Norbeck	Walcott
Byrnes	Hastings	Nye	Walsh, Mass.
Connally	Hayden	Oddie	Watson
Coolidge	Hebert	Patterson	White
Couzens	Howell	Reed	
Davis	Hull	Robinson, Ark.	
NOT VOTING—20			
Bankhead	Cutting	McKellar	Shortridge
Broussard	Glenn	Neely	Smoot
Carey	Hatfield	Norris	Stephens
Copeland	Hawes	Pittman	Swanson
Costigan	La Follette	Robinson, Ind.	Walsh, Mont.

So Mr. LONG's amendment was rejected.

Mr. METCALF. Mr. President, I offer the amendment, which I send to the desk.

The VICE PRESIDENT. Let the amendment be stated.

The CHIEF CLERK. On page 15, beginning of line 6, it is proposed to strike out all through line 18 on page 18, and insert in lieu thereof the following paragraphs:

(c) The corporation shall have a capital stock of \$125,000,000, all of which shall be subscribed by the United States of America and payment for which shall be subject to call in whole or in part by the board of directors of the corporation.

There is hereby authorized to be appropriated out of any money in the Treasury not otherwise appropriated the sum of \$125,000,000 for the purpose of making payments upon such subscription. Receipts for payments by the United States for or on account of such stock shall be issued by the corporation to the Secretary of the Treasury and shall be evidence of the stock ownership of the United States.

Any Federal reserve bank may purchase and hold any debentures or other such obligations of the corporation in an amount not exceeding one-fourth of the amount of its surplus fund.

On page 23, line 11, to change the word "sum" to the word "amount."

On page 23, lines 12 and 13, strike out the words "and the amount authorized to be appropriated pursuant to paragraph (c) of this section."

Mr. METCALF. Mr. President, this amendment provides that the Federal Government should subscribe to the capital stock of the liquidating corporation provided in section 7 to the extent of \$125,000,000. As it stands, the capital structure of the corporation is to be as follows:

A capital of about \$130,000,000, of which one-half is to be subscribed by the member banks and one-half by the Federal reserve banks. In addition the corporation is to have a paid-in surplus of \$125,000,000 from the Treasury. The corporation is to be a permanent organization. Although the member banks are to be asked to contribute some \$65,000,000 to its capital, they are given no direct voice in its management, nor is the stock held by them to be entitled to any vote.

This \$65,000,000 can hardly be considered as an investment. Although the corporation is authorized to pay dividends of 6 per cent per year on the stock held by member banks, it is extremely hard to see how the corporation is going to earn such dividends. Its sole business is to be the investment of its funds in nonliquid assets, which themselves have been contributing factors in the receivership of the closed banks in question. To earn a 6 per cent annual dividend on the stock held by member banks will require annual net earnings of about \$4,000,000. This must be earned either from the liquidation fee of 8 per cent, which fee can be retained only in case the assets of the closed banks are liquidated for more than the price paid for them by the corporation, or from income from such assets.

For these reasons the section as it now stands virtually requires solvent and well-managed member banks to guarantee the depositors in the weaker banks.

I recommend that the section be amended to abolish the capital-stock subscription requirements of member banks and of the Federal reserve banks and to insert in place thereof authorization to the Federal reserve banks to invest not to exceed one-fourth of their surplus in the debentures of the corporation. These amendments are in exact accord with the amendments proposed by the Federal Reserve Board.

It would seem to be unwise and dangerous for us to force some banks, already in a perilous condition, to subscribe to this stock. It might open up weaknesses in our banks which would lead to further costly failures. The policy of penalizing a well-managed bank to retrieve some of the assets of poorly managed ones is not good judgment.

I desire to say that I have a memorandum of the American Bankers' Association on liquidating corporations, and I find that they agree with me in the principles I have outlined. I hope the Senator from Virginia will think that that covers that point, and that he will accept the amendment.

The VICE PRESIDENT. The question is on the amendment offered by the Senator from Rhode Island [Mr. METCALF].

Mr. THOMAS of Oklahoma. Mr. President, I rise in opposition to the amendment. I do not think perfection should be infringed upon. For that reason I shall oppose the amendment submitted and now pending before the Senate.

Mr. President, a little while ago, while I had the floor, there were about 10 or 12 Senators in the Chamber. Of course, I could not think about asking them to stay here and listen to this discussion; but I desire to serve notice that from time to time when I have the floor, with practically nobody here, I am going to put in the RECORD the names of those who are doing the Senate honor by staying in their places of business. I shall do that for one reason:

This question is a most important one. Over in Detroit, Mich., just on the edge of that city, there is a little church. This small church is presided over by a very energetic and brilliant pastor. In addition to preaching to his evidently small flock, each Sunday he broadcasts over a nation-wide hook-up, as I am advised. I am advised that on each Sunday afternoon the pastor of this little church in Detroit has a radio audience of 20,000,000 people.

During the past few Sundays this clergyman of Detroit has been speaking about the money question. Two weeks

ago he spoke about the Glass bill. He took an hour's time to give his interpretation of the Glass bill. I may say that this is not in connection with the services of his church. This is over his radio broadcast.

This morning I received through the mail a copy of this lecture, given over that broadcasting chain on Sunday, January 15, 1933. I knew of the wide interest that this broadcaster has, so this morning I sent a telegram to Father Coughlin asking him to give me an estimate of the number of replies he had received to this address, and what percentage of these replies were in opposition to the views expressed by him, which opposition of course would be in favor of the branch banking bill of the Senator from Virginia [Mr. GLASS]. I have this reply from his secretary:

In response to your question of January 23, Father Coughlin received approximately 725,000 letters as the result of his gold standard talks. These letters represent every sector of American life. Not one thirty-third of 1 per cent of them took exceptions to the views advocated by Father Coughlin. Hundreds of bankers, thousands of professional and business men, are firmly convinced, as these letters testify, of the necessity of restoring to normalcy the American dollar. Property holders throughout the Nation whose opinion is reflected in these letters are determined either on revaluation or on repudiation.

M. RHOADES, Secretary.

Mr. President, if there is no interest here in this question, that is not true throughout the length and breadth of this Republic. Here we have one speech or two speeches on the money question eliciting 725,000 replies, and a small fraction of 1 per cent disagreeing with the viewpoint expressed by the speaker; and yet Senators will not even stay on the floor of the Senate and listen!

Mr. President, inasmuch as I have referred to this lecture given by Father Coughlin at Detroit on January 15, 1933, and not desiring to take the time of the Senate to read it, I ask unanimous consent that the lecture may be printed in the Record at this point in connection with my remarks.

THE VICE PRESIDENT. Is there objection? The Chair hears none.

The matter referred to is as follows:

#### HONEST LEGISLATION

For three years the undeniable facts which I have expressed over this radio have been well known to the Seventy-second Congress of the United States and, sad to say, have been artfully sidestepped by this august body.

Our national debt has risen to \$235,000,000,000. Our losses directly due to the depression have approximated \$265,000,000,000—\$96,000,000,000 more than the total cost of the World War.

Suffering and sorrow, idleness and poverty surround us on every side as we submit to the outrages of a money famine. Our leaders have become obsessed with the cult of gold worshiping. Its sanctity must not be violated even though millions upon millions of victims are offered up within its fiery furnace.

For two months this last session of our Seventy-second Congress has proven itself more interested, I fear, in beer than in bread; more interested in the liberation of the Philippines than in the restoration of prosperity to the United States.

While it becomes disheartening to read how our representatives will spend time discussing everything from the correct spelling of Puerto Rico to the placing of a label, if any, that will be glued upon a can of macaroni, yet it becomes absolutely alarming when we read of the most dangerous discussion of all, which found its way to the floor of our Senate in the nature of the Glass bank bill. It takes its name from Senator CARTER GLASS, of Virginia.

Every person in this Nation realizes that from an economic angle, our depression was primarily caused by an injudicious, unintelligent, and sometimes immoral financial system which not only produced a famine of money but which destroyed our credit and which almost has succeeded in reducing our Nation to bankruptcy, and we are not so very far from it.

There must be a substantial corrective for these financial abuses which were responsible for marketing questionable bonds, for gambling with depositors' money, and for turning the stock exchange of Wall Street into a resort alongside of which Monte Carlo and the corner crap game are sanctimonious exercises of virtue.

Now, instead of facing this problem with courage and with vision, it has been sidestepped and neglected.

In its place there has been injected into the discussion of the Senate the smoke screen called the Glass bill. It is a bill which in many of its articles is commendatory, but which in its nineteenth article is the most subtly vicious bill that the entire Seventy-second Congress has ever considered.

It is only just that those in this audience be appraised of the importance associated with the nineteenth article of the Glass bill in order to learn of the desperate effort being made by the organized minority to perpetuate their plunder.

Briefly, this bill pretends to abolish the financial abuses from which you have suffered so grievously by establishing branch banks. Briefly, it looks forward to the destruction of small independent local banks; it visualizes the establishment of great central banks with branches throughout the State; it presupposes the existence of the same banking system which we have to-day, including all of its inherent abuses.

But before explaining any portion of this nineteenth article, let me first remind you that one of the current complaints which was voiced by Piux XI relative to the financial system of our civilization is identified with the cruel, unjust concentration and manipulation of credit in the hands of a few.

That this Glass bill, in its nineteenth article, is endeavoring to perpetuate this abuse is evident.

Before criticizing, let us pause for a moment to discover the history of this brilliant idea which, according to its sponsors, will eliminate our financial worries.

I believe somewhere in Scripture it tells us that an evil tree can not produce good fruit. Well, let us examine the tree.

The announcement of this most important theory is recorded in the New York Times under the date of December 8, 1932. It shall go down in the annals of politics as the climax of achievement, as the high-water mark of do-nothingism which characterized the golden Mellon age through which we have passed.

Let me read it to you as it appeared in the paper.

"Ogden Mills urges a move for branch banking"—that is the headline.

The article reads as follows:

"In dealing with reforms in the banking situation, Mr. Mills suggested immediate authorization for trade area branch banking as a temporary expedient to aid national banks and recommended that a joint committee of Congress study all available data with a view to legislation 'that will remedy the fundamental weakness of our banking structure.'"

Secretary Mills is quoted as follows:

"The developments of the last decade," says he, "have uncovered unmistakable defects in the American banking structure. They constitute a source of weakness in our economic life and have been an important factor in the present depression. They call for fundamental reforms."

Mr. Mills agrees that the banking system has been "an important factor" in this poverty, this idleness, this confiscation that surrounds us.

Mirabile dictu! What a wonderful expression!

The reform which he suggested in his own words is this:

"I renew the recommendation looking to the extension of branch banking."

This, then, is the curative for the financial sins which have demoralized our Nation. This is the restorative of peace and contentment and prosperity in our land. Well has Mr. Ogden Mills lived up to his reputation. On the eve of his departure from perhaps the most important Cabinet post in our Government, he sings his swan song in the same key and in the same pitch which characterized the melody of Mellon for a period of nearly 14 years; the chorus of which always ends with the couplet: "Financial welfare is preferred to human welfare."

If you trace it back far enough, perhaps this song will be found to originate in the heart of that great tin pan alley known as Wall Street.

To be exact, it was some time about the month of March, 1930, when Mr. Thomas W. Lamont, of the firm of J. P. Morgan & Co., expressed the identical idea that he was in favor of branch banking as the method of banking reform. Thus you plainly see, my friends, that the music is by Mills, the lyric by J. P. Morgan & Co., and the obligato is by CARTER GLASS.

All this reminds me of a convention held inside the walls of Sing Sing Prison. Everyone admitted that there was need for prison reform. The citizens outside were complaining because of the laxity of the prison and because of the effeminacy of its rules. The prisoners were complaining because of the raspiness of the radio. Their laundry, so they charged, was returned improperly ironed. Their food was not so tasty as that which is served in the better hotels.

Well, the outcome of it all was that the prisoners themselves were actually devising ways and means to reform the iniquitous system of prison punishment.

I am sure that the authorities of New York State department would be as ready to adopt the decisions of the prisoners as the people of the United States would be willing to acquiesce to the suggestions made by those, who, more than any other group, have caused this depression.

Now, let us see, since we have traced this fruit back to the original tree from which it has fallen, let us see if this brilliant suggestion is in keeping with the spirit of the new day.

Speaking to the New York Legislature in January, 1930, President-elect Roosevelt issued a statement which is counter to the proposal of the nineteenth article of the Glass bill, the bill that proposes to abolish all our abuses by establishing branch banks. He said:

"We must by law maintain the principle that banks are a definite benefit to the individual community. That is why a concentration of all banking resources and all banking control in one spot or in a few hands is contrary to a sound public policy."

"We want strong and stable banks, and at the same time each community must be enabled to keep control of its own money within its own borders."

That, my friends, was the opinion publicly expressed by the gentleman whom we have elected to give us a "new deal." We have no reason to believe that Mr. Roosevelt has altered this conviction in the face of the fact that branch banking is no curative to the financial ills which have aided and abetted the famine of money which is threatening to overwhelm us.

Branch banking is no guarantee for the money of the depositor. I dare say that the 4,850 failures which have marked the history of our financial institutions during the past few months would not have amounted to such great numbers had they not been encouraged both directly and indirectly through the initial failure of one of the great branch banks in the city of New York.

Do not forget that the first important bank failure in this country during the present depression was the Bank of the United States with its 59 branches. It was followed by the Federal National bank of Boston with its 8 branches. In succession there are chronicled the other branch banks failures, namely, the Banco Kentucky group, with 7 branches; the A. B. Banks of Arkansas, with 27 branches; the Manley chain of Georgia, with 87 branches; the Bain Banks of Chicago, with 12 branches; the Bankers' Trust Co., of Pennsylvania, with 20 branches; the United States National Bank, of Los Angeles, with 8 branches; the Security Home Trust, of Toledo, with 10 branches; the Peoples State Bank, of South Carolina, with 44 branches; the Arizona State Bank, with 5 branches; the Foreman National group, of Chicago, with 6 branches.

Of course, there is no necessity of even mentioning the other branch banking institutions, some of which would most certainly have failed had not the Reconstruction Finance Corporation poured millions of dollars into their vaults in preference to helping the small, individual banks such as we had in the municipality where I live. Every bank in the city of Royal Oak exploded with disastrous effects to the depositors.

Branch banking which is confined to a city or to a municipality is in no wise harmful. But when it is extended to the boundary lines of the State it simply means the concentration of the wealth and of the credit of that State in the hands of a few for them to control, for them to use.

How, in the name of justice, can the little farmer living at the extremity of the State line ask for a loan from some big bank in the State capital? He is not known and he is not cared for. Certainly the farmers should have learned this lesson after three years of having been neglected.

More than that, it means that through the subterranean channels of the financial system which has been established in this Nation it will be rendered more feasible for the several great national and international banks in lower Manhattan to control the credit of the entire country.

The advocates of this system of branch banking will point to Canada and to its financial institutions as a paragon of perfection.

Fortunately for the citizens of Canada their financial institutions are still banks where the depositors' money is practically guaranteed by the Government; where the depositors' money is limited to investment and not a speculation, as happens in ninety-nine cases out of a hundred in this country where some branch banks have too often become bucketshops and peddlers of worthless securities; and to extend them throughout the United States is the cure of the Glass bill.

Already we have learned of the origin of national banks in this Nation. We are not ignorant of the fact that despite the Constitution of our country, which maintains the right of Congress to coin and regulate the value of money, this substantial right was handed over 15 years after our country was founded to private financiers and private corporations whose printed paper money we are forced to use in order that they may acquire profits, and from whom we are asked to beg credit, and, instead of getting bread, we are handed a stone.

We are not ignorant of the fact that the originators of national banks in this Nation themselves subscribed to the theory that their institutions grow fat on bonds and blood debts which arise from war. That is a matter of history.

And now, like a simple little Red Riding Hood, do you think that the American public, bled white by this war of golden bullets, will stand before this wolf of the Glass bill and say, in all simplicity: "What great teeth you have, grandmother!"

If it should, the answer will be as of old: "The better to eat you with, my child!"

Perhaps it would be appropriate to mention at this moment another attempt on the part of the banking monopoly of this United States to put through a bill similar to the proposed Glass bill.

I know that I am speaking heretically so far as the dogmatic teachings of bankers are concerned. But it is about time somebody does.

The year is 1907. The chief actors in the drama are Charles Augustus Lindbergh, father of the famous aviator; Senator Aldrich; and Congressman Vreeland, the latter two being identified with mighty New York banks.

It was well known that ever since the Civil War Congress had allowed the bankers to completely control financial legislation. This is what Congressman Lindbergh, the father of the "Lone Eagle," had maintained. This is what everyone knows who is acquainted with the history of our country.

Now, in 1907, our Nation was in the throes of a money panic. Hundreds of millions of dollars of watered stock and of depreciated bonds were stored away in the vaults of the great banks of this country.

Day by day the market value of these bonds and stocks was being depreciated. Day by day the owners of national banks were becoming more and more excited because of the possibility and probability of their financial structures tumbling down upon them.

At last they conceived a plan whereby they could be saved. Here is the plan:

Cooperating with each other, Senator Aldrich and Congressman Vreeland proposed what was known as the "emergency law" to the United States House of Representatives. The nature of this law was to permit national banks to deposit not only Government bonds with the Government for their privilege of printing money at the face value of these bonds but also the privilege of depositing industrial bonds and municipal bonds in our Treasury with the right to print money against their face value.

What a calamity, when some of these industrial and municipal bonds were actually selling on the open market in 1907 for 15 cents on the dollar and some of them as high as 50 cents on the dollar.

What a proposal to permit the bankers to print paper money not at the market value of their deposited municipal bonds but at their face value!

This bill was rushed through Congress. Our representatives evidently were blinded to the fact that it was giving the national bank corporations of this Nation the right to extend not only rubber credit money but to print rubber currency money.

Single handed into the fray rushed Charles Augustus Lindbergh, who, in one sense, is a greater hero in the eyes of this Nation than is his illustrious son.

To this noble father and patriotic Congressman we owe the thanks of a grateful Nation for exposing this terrible, nefarious plan which would have made a despot of Wall Street and a slave land of America.

Twenty-six years later we are witnessing an attempt on the part of this same group to do a similar thing by monopolizing in an indirect manner the banking facilities of the Nation along with its credit. And that is something that the majority of you did not even suspect, because they do not advertise.

Now, as of then, the Glass bill is being proposed to us as was the Aldrich-Vreeland bill as the means of rescuing a nation from a famine of money.

Now, as of then, it will be possible for the bloated branch banks to rewrite their bank stocks at double their value and enter them as such upon their books. A system of dropical bookkeeping!

But now as of then, some new Charles Augustus Lindbergh, please God, shall have the courage to rise in the seats both of Congress and of the Senate to prevent this lame-duck assembly from rushing through in the last few hours of its mortal existence its so-called curative for the financial ills of the Nation.

A lame-duck Congress and Senate that for the last few years have closed their eyes to the starving, to the unemployed, to the distressed citizens of this Nation while telling us that there was no depression and while preaching to us that prosperity was just around the corner! At its best, the Glass bill is a half measure. Like a half truth, which is worse than a whole lie, it bodes no good!

If the house of Morgan advocated such a measure in the year 1930, if Ogden Mills proposes it in the year 1932, the people of the United States know from what tree this fruit has come and they prefer to await the policies of their newly elected President and Congress who soon shall assume office; who promised to bestow upon every one of us a fair and equitable deal.

Thus, while people are starving to death; while industry is prostrate; while foreign trade has vanished; while the values of real estate have been decimated; while to every schoolboy in this Nation it is a matter of common knowledge that we are suffering from a money famine mostly due to the manipulation of the mighty banks who are greatly responsible for flooding the country with worthless credit money and with spurious bonds, we witness a group of Senators to-day—pretending that they represent the people—a group of them devising ways and means to help, to protect, and to extend the power of this financial octopus whose tentacles are grasping at the throat of our Nation.

No wonder that the Independent Bankers Association has gone on record in a letter to Senator THOMAS SCHALL with the following statement. It says:

"If section 19 of the Glass bill passes, it is going to place in the hands of the very few the entire credit machinery of the Nation. Section 19 is so utterly opposed to the spirit of the times that it is bound to bring ruin to its sponsors. The large banking interests of the country should realize that legislation is becoming more and more socialistic; that if banking is concentrated into the hands of the few, the rank and file will eventually rise up against them; that it will give the common people something to shoot at; and that eventually the structure, which they are trying to raise to get domination of the credits of the country, will collapse, carrying the sponsors to ruin."

If mass productionism is a menace to our country the way it is being handled to-day, mass financialism should hold greater terrors.

Certainly the American people are looking forward to a financial reform, but not the kind of reform that is couched in words of half truth. The American people are not overly anxious that this reform come from the selfish suggestions which emanate from lower Manhattan and which are fostered by certain legis-

lators who are devotees of the principle that this Nation shall remain a financial republic.

Concentration of wealth in the hands of a few can no longer be tolerated.

Concentration of credit by a small group must no longer exist. These are the reforms which we demand along with a sane inflation of money.

Thus if there are mismanaged small banks existing throughout the State or throughout the Nation, that is no argument why their charters eventually should be assimilated by mismanaged giant banks of the great cities through the agency of the Glass bill, which refuses to rescue us from the real financial abuses.

It is about time, my friends, that we have some honest legislation. It is about time that this wizardry of Wall Street and this double-acting, half-truth bill and measures similar to the Glass bill be eradicated from the seats of the Senate and from the Halls of Congress. Lincoln did not say in vain that this Nation is "of the people, by the people, and for the people."

Lincoln's words will be put into practice despite what it is going to cost us.

The theories that have been expressed are rather peculiar.

For instance, the Glass bill subscribes to the principle that prosperity is associated with the thought that our national finances should be in the hands of a few. Do you not see that it is identical with the principle stated by some, especially the adherents of George III in 1775, that our national politics should be controlled by a few? Both theories are counter to the democratic principles upon which our Nation was founded. Both theories are identified with an oligarchical form of government and with the error which we are striving to eliminate, namely, the concentration of wealth and of power in the hands of a few.

To-day it is imperative that we decentralize this wealth and this power or else the Socialists will do it for us. To-day we are struggling to destroy the famine of money by a policy of sound inflation. To-day we are aiming at restoring honest wages, honest prices, and honest dollars through legitimate and constitutional means. We are surfeited with bank failures, with cut wages, with increased taxation, and with a financial system which regards money as the medium of control and not of exchange.

May I quote for you the sapient remarks of the revered ex-Senator Robert Owen, than whom no greater philosopher on finance exists in our Nation.

He is an ardent advocate of sound inflation as the immediate salvation of our country.

He says:

"It is futile to say that there is plenty of money and credit in our country when the money is congealed and the credit is frozen.

"Those of you who desire to extend more currency money to the Nation will be accused of advocating phoney dollars. You will be met with the cry of inflation. But inflation means an unjustified expansion. You are not inflating—you are expanding because of a great national exigency.

"You will be met with the charge of fiat money. But fiat money is money not redeemable in gold. And the money you propose is redeemable in gold.

"You will be met with the charge that there is plenty of money. This is obviously untrue because the currency money of our Nation has gone into hiding.

"We all believe in an honest, sound dollar—but the present dollar is not an honest dollar. It is a dollar buying 50 cents more in commodities and 500 per cent more in stocks and other forms of property than normal. It is a thief stealing the profit of the debtor under the color and protection of law; it is stealing the savings of lifetimes from innocent people who are the victims of a financial mismanagement or worse."

It is not pleasant to criticize those into whose hands the destiny of this Nation has been placed.

But because we have had too much concentration of credit; because we have been victimized by a financial system which has brought about a famine of dollars, because we have grown weary of successful attempts to dodge the real issue of the day, it is about high time that we demand our representatives to represent us and cease following the philosophy of the high priests of a broken-down system of finance.

Not only the 12,000,000 idle workmen, not only the 30,000,000 partially employed laborers, not only the 40,000,000 farmers and their families, not only the small banker and the industrialist whose factory is closed—every citizen is demanding legislation which will restore honest dollars to the entire Nation. We are weary of attempted legislation which aims at strengthening the position of those who control hoarded dollars and hoarded credit.

We are demanding legislation that will have some milk of human kindness in it; that will have some drop of God's justice in it to care for a people of a land that is teeming with wealth, filled with wheat and corn, crowded with factories, all of which, as far as we are concerned, may as well be in the depths of the Atlantic Ocean, because we must get down on our bended knees to worship at this god of gold.

Surely we are asking for nothing that is un-Christian or unconstitutional when we petition for work, when we raise our voices for an opportunity to pay our just debts, or when we ask a guaranty for the savings of a lifetime which perforce we must deposit in some bank.

That there is a way to assist those Congressmen and Senators, who are fighting desperately to remove the cause of our sorrow, our poverty, our idleness, is certain.

Thus, I am trying to enlist your moral support; I am trying to marshal into a solid army of action every voting citizen in this audience.

By your support I mean the assistance not only of every man, but especially that of every woman in this audience.

Are you satisfied to suffer, to grumble, to raise your voice in childish complaint?

You country bankers know not where to turn. You industrialists are living on the bread of hope and on the milk of optimism, not knowing how you can honestly pay your dividends or your taxes because the purchasing power of our Nation has been ruined.

You farmers have become slaves of the soil forced to produce your wheat and your cotton, to raise your hogs, your sheep, and your cattle at a loss; forced to face the sheriff who, perhaps, tomorrow morning will be on his way to put you out of your homestead.

You laborers in the city, I suppose, are satisfied to work incessantly at starvation wages; to raise your children in want and poverty, or to join the army of the unemployed.

You home owners and you landlords are happy, I presume, to see the value of your real estate melt under your eyes and the cost of your taxes mount month by month.

You women of this land, are you not anxious to help in this unequalled contest; are all of you willing to stand idly by? I believe the time has come to act in unison and in a constitutional manner.

Bear in mind that I am inviting no man or woman to coincide with my thoughts unless he or she first fully understand them. That is why I am inviting every one of you, first, to secure a copy of the lectures which I delivered over this microphone on our money famine before we act in a constitutional, a Christian, and in an American manner—act together to destroy it.

If you are interested, and God knows you should be, write for a copy of these discourses directly to my office. With the book, I will mail you a letter instructing you what to do in order to bestir our Congress, in order to turn their minds from a discussion of the Philippines to the feeding of our fellow citizens here in America. Congressmen have just about gone the limit in playing politics at the expense of our national misery.

If you feel like helping in defraying the cost of printing and mailing, it will be appreciated. If you can not, it makes no difference. Your moral support is more valuable than your financial support.

Catholics, Protestants, and Jews—Republicans and Democrats—you are all invited to arouse yourselves from your apathy, your laziness, and your indifference. You are all welcome to a copy of this book. In sending you the book I will also send you a letter telling you what you can personally do to help end this depression and counteract those who are trying to perpetuate the policies that led us into it.

Let us act together. It will be the birth of a concentrated action whose force can not be withstood.

Mr. THOMAS of Oklahoma. Now, Mr. President, I desire to call attention to some newspaper stories that appeared in the public press on yesterday.

Here is a picture taken from, I think, the New York Times. It shows a picture of a western capitol. It shows, in front of the doors at the entrance to that western capitol, numerous soldiers, and between the walls just in front of the soldiers thousands and tens of thousands of hungry workers, hungry marchers, right against the walls of that western capitol. Here 40 months have come and gone and the Congress of the United States—the only body in the world that can suggest a remedy—does not even have a committee making an investigation as to the cause of this trouble or trying to find a remedy for it!

Mr. President, that is what I complain of.

On yesterday I found in the local Washington paper a news story by the Associated Press. Inasmuch as this Associated Press story makes reference to myself in the following language, I pause to make one or two comments:

#### SCOFFS AT THREAT

THOMAS described the compromise as the entering wedge for universal branch banking, and asserted he would attempt to strike it out. \* \* \* Democratic Leader ROBINSON did not take the threat seriously, however.

Mr. President, that is not news. No suggestion I have made to the Senate has been taken seriously by the distinguished senior Senator from Arkansas. Everything I have gotten at the hands of the Senate I have had to fight for, almost alone.

I was forced to use hours upon this floor in behalf of the oil men of the country. The leaders on both sides of the aisle were opposed to me, but in the end we won.

Then, when the Government, as the guardian of the Indians of this Nation, was proceeding to rob them by law,

I took time upon the floor to speak for those defenseless people; and aside from a few sympathetic questions asked me by the senior Senator from Virginia [Mr. SWANSON], I had no support upon this floor. The support I received I got throughout the press of the country. I got none here. But as the result, Mr. President, a resolution was introduced by the junior Senator from Utah [Mr. KING] calling for a committee to make an investigation of Indian affairs throughout the country. As a result of the time taken upon this floor upon the Indian question two committees were appointed to investigate Indian affairs throughout the United States.

When I started my fight in behalf of these defenseless people the Commissioner of Indian Affairs had never been out in the West, so I am advised, and the Assistant Commissioner had never been out among the Indians; but after this fight was started two committees were appointed. They went throughout the country. One committee was accompanied by the Commissioner of Indian Affairs and the second committee was accompanied by the Assistant Commissioner of Indian Affairs. For two years now they have made the investigation; and as a result of that fight, assisted by the great chairman of the Indian Affairs Committee, the Senator from North Dakota [Mr. FRAZIER], the junior Senator from Montana [Mr. WHEELER], and some assistance on the floor, conditions among our defenseless Indians, the wards of the Nation—they are not my wards, Mr. President, they are not the wards of Oklahoma, they are the wards of the people of the United States—because of that fight conditions among them are infinitely better than they were when this fight started.

I can get nowhere except by taking the time of the Senate to make the record, and the record is being read now. No attention is being paid to it when it is being made, but it is being read throughout the length and breadth of this land. Four years have come and gone and times are worse to-day than they were when the depression broke in 1929.

I do not make these statements in any sense of criticism. There is nothing personal in them. I can not ask the leaders on my side, or other Senators, to go with me when we are not going in the same direction. What bill is pending before the Senate now offering any relief to the people of this Nation? Only those bills which place mortgages upon the people of the Nation to raise money to lend them. There are bills pending here to take the people's credit and lend to the school districts to keep schools of the Nation going. Why? Because the people of the particular school districts have not the money to pay their taxes to run their schools. People can not pay their taxes, and there are other bills pending here to take the people's credit and lend that credit to the taxpayers of the Nation with which to pay their taxes.

Mr. President, I want to call attention to a news item appearing just alongside the one to which I have just referred, which stated that my opposition to the bill was not taken seriously. Of course, it is not taken seriously here. But in an adjoining column, just beside the one from which I read, I find this news story, signed by Lawrence Sullivan, under heavy headlines, as follows:

Plan to slash farm debts hope of Democratic chiefs.

I am glad I am not one of those chiefs. Listen to this:

Commissions would be set up throughout Nation to help growers make revisions; opposition to parity proposal increases.

I read a few lines from the text of this news story. This is a method for the relief of the people of the country, especially the farmers:

The plan contemplates establishment of farm-debt conciliation commissions in every agricultural county. Through these agencies hard-pressed farmers would write off that portion of their debt which has become unduly burdensome.

I am reading from the article:

More than 3,000 new Federal jobs would be provided for the conciliation commissioners. They would be scattered as needed throughout the United States.

Three thousand new jobs, Mr. President, are to be created. The appointees are to get \$7 a day when they work and 5 cent a mile when they travel. I read further:

Bankrupt farmers would appeal to their neighborhood conciliation commissioner for revision of their obligations, and the adjustment would be made, under the projected law, with due regard to the rights and interests of both debtor and creditor.

Mr. President, are we to sit here until our people become bankrupt and then provide a Federal agent in their counties to whom they can go and confess their bankruptcy, and confess their insolvency, and then have this Federal agent help them secure an adjustment? I am not willing to go that far. Is that the "new deal" which the country has been promised? If so, the future is gloomy for many thousands of our people, who can see no promise of help until they are insolvent and ready for the bankruptcy court.

Mr. President, I am taking this time upon the floor for two purposes. First, I want to spur the United States Senate to make some investigation. No investigation has been made, so far as I know, no committee has undertaken that task, no committee is at work on that task now.

Mr. COUZENS. Mr. President, will the Senator yield?

Mr. THOMAS of Oklahoma. I yield.

Mr. COUZENS. The Finance Committee reported out the resolution offered by the senior Senator from Mississippi [Mr. HARRISON], providing that the committee should go into that matter.

Mr. THOMAS of Oklahoma. When was that done?

Mr. COUZENS. This morning.

Mr. THOMAS of Oklahoma. That is accomplishment No. 1, Mr. President. I have been talking now for two or three days, and to-day receive the first news of activity. Several days ago the distinguished Senator from Mississippi [Mr. HARRISON] offered a resolution providing that the Finance Committee should make the investigation, and to-day they report that resolution back favorably. I commend the committee. That is the first thing that has been done in 40 months looking toward relief of the people of the United States.

Mr. LONG. Mr. President, I did not hear what was said. Does the Senator mean that something has been done by the Finance Committee? What was it?

Mr. THOMAS of Oklahoma. The Finance Committee has reported favorably upon the resolution authorizing the Finance Committee to begin some time in the future to make investigation as to the reason why we are in the condition in which we find ourselves to-day.

Mr. LONG. May the Lord bless the Finance Committee. [Laughter.]

Mr. THOMAS of Oklahoma. The fight has already produced some good. We have had one act from the Finance Committee, if the committee never meets in the future.

Mr. LONG. Mr. President, will the Senator yield again?

Mr. THOMAS of Oklahoma. I yield.

Mr. LONG. Am I to understand that the Finance Committee has authorized the Finance Committee at some future date to make an investigation by the Finance Committee? Is that what they have done?

Mr. THOMAS of Oklahoma. We have had the information just now from the distinguished senior Senator from Michigan.

Mr. LONG. What is it they have done? Is it that the Finance Committee has authorized itself to investigate, by itself, at some time in the future, or just what was the action?

Mr. THOMAS of Oklahoma. That is it.

Mr. LONG. Well, the Lord bless them, anyway. [Laughter.]

Mr. ASHURST. Mr. President—

The VICE PRESIDENT. Does the Senator from Oklahoma yield to the Senator from Arizona?

Mr. THOMAS of Oklahoma. I yield.

Mr. ASHURST. The Senator, with becoming modesty, has given a résumé of the effort he has put forth in behalf

of wholesome legislation, and I commend his efforts in connection with the various bills.

The Senator went on to say that he led the fight in 1931 for a tariff on oil. While the Senator did not say so, he hinted rather, that some of us who later voted for a tariff on oil were laggards, indeed, opposed him in his efforts in 1931 to secure a tariff on oil.

Mr. THOMAS of Oklahoma. To start with, that was true.

Mr. ASHURST. I was one Senator who sat in the Chamber 17 hours while the Senator from Oklahoma spoke for a tariff on oil, hoping and expecting at that time to defeat his attempt to secure a tariff on oil, because I knew that if he at that time secured a tariff on oil the copper-producing States would never thereafter secure a tariff on copper. Therefore, I then opposed his efforts as a matter of strategy. I knew that if he secured his oil tariff, it was "good-by" to a copper tariff. So, while I spent 17 pleasant hours listening to the Senator urge a tariff on oil, I was obliged to oppose him then so that I might later be able, at an appropriate opportunity, to be in a position to promote the copper tariff. In the Senate you are on roller skates. You go partly where you like to go and partly where the skates take you. [Laughter.]

Mr. LONG. Mr. President, will the Senator from Oklahoma yield?

Mr. THOMAS of Oklahoma. I yield.

Mr. LONG. In order that I may suggest to the Senator from Arizona how to get somewhere in the Senate, let me ask him if he does not remember the time when the young man started to the school and reached there about three hours late, and upon the teacher asking him why he was late, stated that every time he took a step toward school in the morning he slipped back two. Upon the teacher asking him how he got there at all, he said he had started back home. [Laughter.]

Mr. ASHURST. Some never reach the school.

Mr. THOMAS of Oklahoma. Mr. President, I am glad to get the suggestion of my learned and experienced and distinguished friend from Arizona. I could not understand why it was he had been against me on the oil-tariff proposition. At one time he became very angry.

Mr. ASHURST. Mr. President, that was only simulated indignation. I could not be angry with the Senator from Oklahoma.

Mr. THOMAS of Oklahoma. The Senator now tells us that the only way by which the Senate can get anywhere is on roller skates. Let me say to my distinguished friend that the first bill that comes along, where it will be in order, I will offer an amendment to provide roller skates for Senators. Perhaps it is because we have not had such action that we get no place.

Mr. ASHURST. Will the Senator yield further?

Mr. THOMAS of Oklahoma. I yield.

Mr. ASHURST. The Senator referred to his investigation of Indian affairs. I doubt very much whether the Senate itself appreciates the vast efforts and the valuable work of the Senate Subcommittee on Indian Affairs. The impartial historian will give the Senator from Oklahoma credit for the way in which he, with the other Senators, conducted that investigation. It was one of the most searching of all the senatorial investigations. The Senator was required to exercise some patience and some ability, as well as some industry, to secure the passage of his resolution. The Senate is geared to slow action. The Senate, unfortunately, is geared to hesitate, neglect, continue, postpone, delay, and only by strategy and persistent faithful work can anything be accomplished.

Mr. THOMAS of Oklahoma. Mr. President, I thank the Senator for his statement.

Now I want to place in the RECORD at this point three or four paragraphs from the New York Daily Investment News. It gives an interpretation of the status of the Congress, an interpretation of the status of those who control public sentiment that controls the Congress of the United States. This is an article signed by Waldo Young, appearing in to-day's New York Daily Investment News. I quote as follows:

I mentioned the other day hints of inflationary developments in Washington—hints that were little more than guesswork, as I said. There has been nothing of consequence to suggest that the present short session of Congress will get around to inflationary action, except perhaps to re-enact for another year the credit-expansion provided in the Glass-Steagall bill of 1932, whereby Federal reserve currency was allowed a partial backing of United States Government bonds.

I had felt that there might be created a psychology of inflation as a result of proposals in Congress. The strength of high grade bonds and the sagging of commodities suggest that one avoid anticipation for the present of currency inflation. For if there were to be inflation, commodity markets would attempt to anticipate it. The record of commodity prices last week was quite the other way. Wheat, corn, oats, rye, cotton, coffee, cocoa, silk, hides, and rubber were slightly lower at the ends of the week than at the beginning.

As a matter of fact, it is more or less obvious that the forces of deflation are continuing at work. Bank closings, mortgage foreclosures and falling prices in industry—notably in the oil and steel industries—are testimonials to the fact that deflation has not yet run its course.

Mr. President, here we have a widely read financial journal which makes the admission that deflation has not yet run its course. We have still too many weak banks in the United States. They must fail before deflation will have run its course. We still have too many weak corporations in the United States. They must fail before deflation will have run its course. Prices are still too high, wheat selling for 24 cents a bushel is too high, cotton selling for 5 cents a pound is too high, hogs selling for 3 cents a pound, cattle selling for 3 cents a pound lower than in 75 years—those prices are too high.

There are 12,000,000 people unemployed. That is not enough unemployed people yet. Deflation has not yet run its course. Yet this financial journal admits that if some one will even suggest inflation the tide will turn, prices will go up, wheat will sell for more, cotton prices will go up, the prices of hogs will go up, the prices of cattle will go up, unemployment will diminish, banks will stop failing, employees of industrial concerns will go back to work.

The leaders of the Nation, the leaders on both sides of the aisle, are not willing that the trend of deflation shall stop. If they would by a gesture undertake to do so, they could stop it. The hours I am taking, Mr. President, are for the purpose of calling these facts, not to the attention of the Senate—I have despaired of relief here—but to the attention of the people of the United States.

Mr. President, I regret to admit that some of our Senators do not yet know the difference between cash and credit. Because these terms are used interchangeably in the discussion here I must take the time of the Senate to put into the RECORD at this point a definition of money. I take it from the dictionary. What is money? We are told that the banks are full of money. Mr. President, that is not true. The 20,000 banks in these United States will not to-night have in their vaults altogether \$800,000,000 of real money. It is true they will have deposit money of something like \$43,000,000,000, but that is not money, and I will come to that later. Here is what the dictionary states is money:

1. Metal as gold, silver, or copper, coined, or stamped and issued by the recognized authority as a medium of exchange; coin in general.

That is money, it is true. A \$20 gold piece is money. A silver dollar is money. A nickel is money. A copper is money. But that is not the only kind of money we have.

2. Any written or stamped promise or certificate, such as a Government note or bank note (often called paper money), which passes currently from hand to hand as a means of payment.

That is, a \$20 bill, a \$10 Federal reserve note, a \$5 national-bank note, a greenback, a Treasury note of the 90's—different forms of paper stamped by the Government; that is money. Then subsidiary coinage like nickels and coppers. That is money. Take the 20,000 banks of the United States to-night and add together all their different kinds of money as defined here, gold and silver and paper, and it would not make \$800,000,000. Then there must be \$42,000,000,000 and some odd hundreds of millions in those banks that is not gold or silver or paper. It is nothing but credit money, and it is frozen. It can not be had.

The dictionary gives one or two quotations to illustrate the force or power of money. At the end of the definitions just read I find this line:

The love of money is a root of all kinds of evil.

That is taken, I believe, from the Bible upon the desk of the distinguished junior Senator from Louisiana [Mr. LONG].

The love of money is a root of all kinds of evil.

Mr. LONG. From whom is the Senator reading?

Mr. THOMAS of Oklahoma. I am reading from the dictionary, but it is taken from the Bible, because I find here:

I Tim., vi, 10 (R. V.).

The VICE PRESIDENT. The time of the Senator from Oklahoma has expired. The question is on the amendment of the Senator from Rhode Island [Mr. METCALF].

Mr. LONG. Mr. President, I am opposed to the pending amendment. It is exactly opposite in principle to the amendment which I have already offered and another one that I thought was included. The amendment offered by the Senator from Rhode Island [Mr. METCALF] proposes to give to the liquidating corporation \$125,000,000 of money which the Government is putting up and which the banks are putting up. As I understand it, what the amendment proposes to do is to relieve the banks of putting up any money at all. It proposes that the Government shall be the sole contributor. I take just the opposite view of this matter. I think the banks should put up all of the money.

The farther I have gone into the matter the more I have become convinced that we ought to have a bank guaranty deposit law. I do not think the Government should be made to finance that guaranty. I have been somewhat prejudiced against a bank guaranty deposit law because of some of the experiences which I have noted in some of the States which tried it. But my conviction has gradually swung back around to where I believe the Government is, in the final analysis, going to have to give the depositors of banks some guaranty that their deposits are going to be paid. Why?

We have created the Postal Savings System. The postal savings deposits, we were told the other day, have increased to \$800,000,000. The rate of interest is very small, so why is it that the postal savings have gone up to such an extent? It is because of the fact that as the fear has been spread throughout the country that the banks might not be safe, the people have gone into the banking houses and have drawn out their money and walked across the street to the post office and deposited their funds in the postal savings. It is only a question of time until we face such a situation that no reliable bank can compete against the Government. If we say to the public that a bank may not be safe, but here is the postal savings around the corner, which is within easy reach of everyone, it will be only a few years at most until a large part of our people will be patronizing the postal savings, where the Government is behind their deposits.

We have nearly \$1,000,000,000 already invested in postal savings. I use the word "invested" advisedly. Perhaps I should say "deposited." If we have that much money in the postal savings, it is a sign to us that sound banking demands a guaranty behind deposits.

The amendment of the Senator from Rhode Island would leave only \$125,000,000 for that purpose. To begin with, that is not enough.

Mr. THOMAS of Oklahoma. Mr. President—

The VICE PRESIDENT. Does the Senator from Louisiana yield to the Senator from Oklahoma?

Mr. LONG. Certainly.

Mr. THOMAS of Oklahoma. Before the Senator leaves the guaranty deposit proposition, may I ask him if it is not a fact that the people throughout the country are now demanding that the Congress liberalize or increase the amount that one person may deposit in the postal savings?

Mr. LONG. Yes; that is true.

Mr. THOMAS of Oklahoma. Because of their fear of banks?

Mr. LONG. Yes.

Mr. THOMAS of Oklahoma. Is it not a fact that the banks are opposing the people having the right to deposit as much as they now have a right to deposit?

Mr. LONG. Yes. I am satisfied that my view of that matter will not coincide with the view of the Senator from Oklahoma. It is true the banks are demanding some revision against the unlimited right to deposit in postal savings. Why? It is because if the Government is going to operate a bank of its own, unlimited in deposits, and a constant fear is spread throughout the country every morning and every night that this and that may happen to the banks of the country, it is only a question of time until there will be nothing but postal savings left. It is a dangerous thing if we look at it from the viewpoint of the bankers. There are two sides to the question. Looking at it from the banker's viewpoint, it is a dangerous thing if there is a rumor about his bank, because every depositor may withdraw his money from the bank and take it to the post office and deposit it in the postal savings.

Mr. THOMAS of Oklahoma. Mr. President—

The PRESIDING OFFICER. Does the Senator from Louisiana yield to the Senator from Oklahoma?

Mr. LONG. Certainly.

Mr. THOMAS of Oklahoma. Under the terms of the bill which seek to authorize branch banking, is it not the opinion of the Senator that if that shall become operative all branch banks located through the country will be nothing more than places for depositing money, something similar to the post offices now?

Mr. LONG. That is about all branch banks have ever been or are now. As the Senator well knows, I consented to the amendment on branch banking against which the Senator from Oklahoma voted. I consented to it because I believed there would be such other amendments made as would strike out the provision altogether.

Mr. THOMAS of Oklahoma. Does the Senator believe that it is good public policy to permit a few large banks to organize and have branches, when the total resources of those branches and the main bank might total as much as \$25,000,000,000?

Mr. LONG. I think it is a great menace for two reasons. I hardly have the time to explain it. First, no organization can administer \$25,000,000,000 efficiently. Secondly, it places entirely too much power and control over finances in a few hands.

Mr. THOMAS of Oklahoma. Mr. President, will the Senator yield further?

The VICE PRESIDENT. Does the Senator from Louisiana yield further to the Senator from Oklahoma?

Mr. LONG. I yield.

Mr. THOMAS of Oklahoma. Does not the Senator believe that the parent bank located in Wall Street could take the deposits of the people throughout the United States and send them to Wall Street, and with those deposits finance trade in foreign lands and finance bond issues of foreign lands, and buy the bonds and send them to their branches for distribution among their customers throughout the United States?

Mr. LONG. They have been doing that, and such a position would assist them materially.

Mr. President, inasmuch as my time is rather limited, I am going to ask not to be interrupted during the few moments I have remaining. I want to devote them to a discussion of the pending amendment. So, due to the fact that we have unanimously agreed to limit ourselves to a very short time and my desire not to infringe upon the limit in any respect, but to keep closely within its confines, I am going to ask Senators not to interrupt me further. I want to discuss the amendment. We are going to have to come to a guaranty deposit law. I can see that. We might as well understand it.

I want to go back to the postal-savings matter. As long as we have a post office that will receive the money and as long as we have the Government guaranty of those deposits, the slightest fear that comes into the public mind may result to-morrow in them all running to their banks

and taking their money out of the banks and putting it in the postal savings. I say this from the standpoint of the banker. In this respect I argue from his position. If there is no limit at all to what a man may deposit in the postal savings, then we are certainly leaving the banker subject to any kind of hazard at any hour of the day.

Mr. President, the amendment of the Senator from Rhode Island fails to catch what little good there is in the provision. The good about the provision, and the only good in the liquidating-corporation provision, is in the fact that it assesses the bank on a certain part of its deposits to create a fund in order to take up the assets of the banks that are in distress. That is where the money ought to come from. Every dime of it ought to come from that source. The Government ought not to have to put up any money out of the Treasury of the United States, even if there is a good profit in it or even if there is no profit made at all. The Government ought not to have to put up the money of the United States in order to create any such thing as a liquidating corporation.

The only purpose of the provision is to accommodate and to make solvent the banks. I believe there is only one way to do this. I believe that we ought to go one step further than this liquidating corporation is proposed to go. We ought to assess each and every bank in the country a certain percentage of its deposits.

If one-fourth of 1 per cent is not enough, make it one-half of 1 per cent; and if that is not enough, make it more than that if necessary. We ought to levy an assessment against every bank deposit in the United States and place that fund under the Treasury Department or the Federal Reserve Board. I would rather see it under the Secretary of the Treasury. We ought to have that fund dedicated as a guaranty to every bank deposit there is in the United States. What is the use of halfway regulation? We are just chipping around the top of the tree. The main purpose of this provision is to guarantee the safety of bank deposits and to clear the channels of trade, currency, and credit. Why not take the whole thing at one lick?

I am in favor of the Steagall bill that comes from the other House. I prefer it to the provision for a liquidating corporation in this bill. It is safer and sounder. Under this provision of this bill and under the Steagall bill every dollar of the funds for guaranteeing bank deposits ought to come from the banks. We ought to consider the entire problem that is presented to us to-day and realize that we have got to guarantee bank deposits; that is all there is to it. If we do not do it, we have got to do something about limiting the amount the postal savings banks can receive; otherwise we are going to have the postal-savings banks a wrecking agency for every bank in the United States. Something is going to have to be done about it, any way; and the best thing we can do, instead of accepting the amendment of the Senator from Rhode Island, would be to amend this section and make it a great deal stronger.

I wish to say to the Senator from Rhode Island and to the Senator from Virginia that I would be willing to have the United States Government pay something to assure the safety of every bank deposit in America. I would not be willing to go too far; but I would be willing to have the Government pay something in order that the Government might guarantee every bank deposit in the United States. We ought to take this section of the bill and do one thing or the other with it. We ought either to strike out the amount that the United States Government is giving to the proposed liquidating corporation as a facility for centralizing these banks, or we ought to amend this provision and assess bank deposits in such amount as to guarantee the deposits of every bank in the United States that is allowed to-day to exist with Government sanction.

When one passes by one of these banks or reads their advertisement, what does he see? He reads the words, "Supervised by the United States Government," "Member of the Federal reserve system," "Member of the farm loan bank system," or whatever they may want to call it. In practically every bank one goes into to-day there is at least

one and perhaps there are half a dozen signs that would give the ordinary depositor to understand that his money was backed by the guaranty of the United States, or by some agency of the United States; but when the bank fades as a mist before the sun in the morning, there is nothing that the United States Government is behind at all. So I say that, instead of the amendment the Senator is proposing, we ought to write into this bill a guaranty for every bank deposit in the United States.

Mr. President, if we want to restore credit in this country, about the best thing we can do is to guarantee bank deposits; but the proposed liquidating corporation does not guarantee anything. It does not guarantee any more than we have got now. Under the provision for the liquidating corporation, if a bank closes—and it has got to close first in order to get any help—then the liquidating corporation will come in and make a valuation of whatever assets the bank may have and give it a certain amount of money and then move off and liquidate it and later on pay the balance. That can be done under the Reconstruction Finance Corporation to-day. That is not any better than what is being done by the Reconstruction Finance Corporation already in that respect.

So if we are going to do anything, we have got to make the banks sufficiently solvent to mean something. Do not let us chip around here and take \$125,000,000 from the United States Government and \$125,000,000 or more from the members of the Federal reserve system, and then not have any guaranty of bank deposits after all that has been done. Let us be strong enough and bold enough to give the people of the United States an absolute guaranty that when they put a dollar in a bank which is supervised by the United States Government they can go back to that bank and secure that dollar. That is what we ought to do about this bill. Failing to do that is why we are fundamentally wrong.

My friend the senior Senator from Florida [Mr. FLETCHER] informs me that he is in favor of this liquidating corporation because he feels it is an entering wedge toward guaranteeing bank deposits. Why "wedge" about the matter? If we intend it to be a guaranty of bank deposits, let us amend the section and write into it a sufficient assessment against every bank deposit in the United States to guarantee that every deposit in the banks of the country shall be paid. That is the only way to keep them from breaking and to put confidence behind the banks, namely, assess the little ones and the big ones, the young ones and the old ones, in order to guarantee that there shall not be such a thing as a dollar of bank deposits being lost. That is what ought to be done in this bill.

May I inquire how much more time I have on this amendment?

The VICE PRESIDENT. The Senator has until 4 o'clock and 35 minutes p. m.

Mr. LONG. Mr. President, as the Senator from Arizona very aptly suggests, I know that one has to use strategy in the Senate. That is why I have not been able, apparently, to accomplish all I should like. I have failed to understand the means and methods of employing strategy. I learned to skate on roller skates, but that was in my youth, and I never knew that I would need the accomplishment again in my lifetime. However, I see no reason why we ought to chip around the stump here.

There are good things in the Glass bill and there are bad things in it. Divorcing affiliates is a good thing so long as they are allowed to handle Government and State bonds. Branch banking is a bad provision, the worst thing in the world; but behind the branch banking provision is a sincere belief in the minds of some—I think it is a wrong belief—that it will enable the depositors to be protected by stronger banks; and in order to guarantee stronger banks in the protection of depositors, the proponents of this bill feel that we shall have to sacrifice some of the unshackled conditions among all the banks. But, Mr. President, the better thing to do, instead of adopting the liquidating corporation provision, is to amend it so as to assess a sufficient amount on

the bank deposits in America to guarantee bank deposits. Then we shall not need this chain banking bill, this branch banking bill, or anything of the kind. That is what ought to be done, and we can do that.

There is no need talking of giving \$125,000,000 of the money of the people of the United States and \$125,000,000 of the money belonging to the banks, or perhaps more than that, and then having no such thing as a deposit guaranty law at that. I do not think it is going to work in that way at all. You are holding out a shadow, but you are not providing the substance; you are apparently giving a lot of people to believe that if we pass this bill, we will have a means of liquidating failed banks; but I know and you know, Mr. President, and experience has taught us in recent months that, in effect, that is a mere mythical proposition so far as any substantial amount of bank deposits is concerned. It might mean 30 cents on the dollar; it might mean 40 cents; it might mean 50 cents; or it might mean 60 cents on the dollar; but, I do not care how a bank may be liquidated, the process is going to mean a large and substantial loss to the depositors of the institution once it has had to close its doors and to suspend business. However, Mr. President, if, instead of these chimeras and forms and screens through which one has got to wade, if we had a bank deposit guaranty law so that if a man put a dollar in a bank the Government would guarantee he could get a dollar out of the bank, it would save us trouble, and the entire cost of the institution that we would have to set up would be more than compensated by the security of credit. Mr. President, we are not going to ease the flow of credit until something like that is done.

The amendment which the Senator from Rhode Island has offered goes just the opposite to what this bill ought to do. I am more in favor of the bill with the provision as it is than I would be if it were stricken out, but the amendment the Senator offers purports to relieve banks of the necessity of guaranteeing the deposits of other banks. The theory behind that is that a strong bank ought not to be made to guarantee a weak bank; but until we realize that the only solution of the bank situation is that each and every fiber and muscle of one part of the financial resources has got to support the others, we are never going to be able to give such a thing as stability to bank deposits. Senator after Senator has approached me and told me of his apprehensions of banking trouble in this place or that place. The best thing we can do is to get the banking trouble behind the United States Government. The best thing to do to-day is to assess whatever is reasonable and required against deposits and establish a 100 per cent guaranty. I do not care whether it is the State of Virginia, the State of Louisiana, or the State of New York, or what the State may be, the United States is a collection of sovereign States; each is a part of the whole, and the breaking down of one is the breaking down of the other. We did not have any bank trouble in my State until the Bank of the United States broke; and the moment the Bank of the United States broke, it began to break everybody else. It does not make any difference what bank fails, how far it is away over the length and breadth of the United States, every time a bank closes its doors in America it has a certain effect on every other bank in the United States.

So I say that we are going about this thing not nearly so well as we should. I do not blame the Senator from Rhode Island in seeing this matter probably the way he does, because, in the long run, the provision now in the bill is not going to do very much good. I do not think it is going to do good, for it is wrong in principle. It does not give the security which the public is entitled to expect.

Mr. President, I notice the Senator from Florida has just entered the Chamber. I am sorry he was not here during the course of my remarks, for I believe I have been saying something that would have appealed to him more than to anybody else in the Senate, and, at the risk of being tiresome, I am going to repeat for a minute or two what I have said in the absence of the senior Senator from Florida from the Chamber.

I have said, Mr. President—and I direct my remarks to the Senator from Florida.

Mr. THOMAS of Oklahoma. Mr. President, will the Senator yield to me to make the point of no quorum?

The PRESIDING OFFICER (Mr. DICKINSON in the chair). Does the Senator from Louisiana yield to the Senator from Oklahoma?

Mr. LONG. I yield.

Mr. THOMAS of Oklahoma. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Ashurst	Dale	Keyes	Schuyler
Austin	Davis	King	Sheppard
Bailey	Dickinson	Lewis	Shipstead
Bankhead	Dill	Logan	Shortridge
Barbour	Fess	Long	Smith
Barkley	Fletcher	McGill	Smoot
Bingham	Frazier	McNary	Steiwer
Black	George	Metcalf	Stephens
Blaine	Glass	Moses	Swanson
Borah	Goldsbrough	Neely	Thomas, Idaho
Bratton	Gore	Norbeck	Thomas, Okla.
Brookhart	Grammer	Norris	Townsend
Broussard	Hale	Nye	Trammell
Bulkley	Harrison	Oddie	Tydings
Bulow	Hastings	Patterson	Vandenberg
Byrnes	Hayden	Pittman	Wagner
Capper	Hebert	Reed	Walcott
Caraway	Howell	Reynolds	Walsh, Mass.
Connally	Hull	Robinson, Ark.	Walsh, Mont.
Coolidge	Johnson	Robinson, Ind.	Watson
Costigan	Kean	Russell	Wheeler
Couzens	Kendrick	Schall	White

The PRESIDING OFFICER. Eighty-eight Senators having answered to their names, a quorum is present.

Mr. LONG. Mr. President, I have only a very few minutes left. Before closing, however, I desire particularly to address my remarks to the senior Senator from Florida [Mr. FLETCHER], who has recently come into the Chamber.

The amendment offered by the Senator from Rhode Island [Mr. METCALF] proposes to strike out the provision that the banks are to contribute to this liquidating corporation. I do not favor the amendment of the Senator from Rhode Island; neither do I favor the Government's putting up \$125,000,000, because this liquidating corporation does not do any more than the Reconstruction Finance Corporation is trying to do now. A bank has to close its doors before it can get any help from the corporation, and then no bank depositor can get more than a very limited amount of help at that.

I propose that instead of the amendment of the Senator from Rhode Island we shall go further and absolutely 100 per cent guarantee the bank deposits of this country. There is not a bit of use in the world in putting in these various and sundry things that are supposed to stabilize banks after they are closed. If we would to-day assess the bank deposits of this country such a percentage as might be necessary to guarantee the solvency of bank deposits, that would mean that there would not be any such thing as fear in this country to-day, and 95 per cent of the trouble would disappear overnight, simply by reason of the fact that the populace would know that the deposits in the banks were guaranteed by the resources of the United States.

Mr. FLETCHER. Mr. President, will the Senator yield? Mr. LONG. I yield to the Senator from Florida?

Mr. FLETCHER. I am not in disagreement with the Senator respecting the idea of guaranteeing or insuring bank deposits. I have introduced a bill on that subject. It has been referred first to the Committee on Banking and Currency and then to a subcommittee. That subcommittee has been considering not only that bill but other bills on the same subject, including the House bill. The House passed a bill to that effect.

Mr. LONG. It did.

Mr. FLETCHER. That bill also is before the Banking and Currency Committee now. I am not in disagreement about that at all. My contention respecting this amendment is that it is the first step in that direction.

Here, depositors will be guaranteed and protected to the extent that the assets of these banks will be taken over, and the distribution will be made at once through the corporation provided for in this section instead of the depositors having to wait over months and months and years and years before distribution is made to them.

Mr. LONG. It will do it only to a certain extent, and a limited extent at that. It can not do any more than the Reconstruction Finance Corporation is doing now. I am told that by pretty high authority.

The point about it is, however, that we all realize that we need a guaranty of bank deposits. We are taking the money of the United States Government to do it now, and we are not actually doing it. We have over the doors of these banks, "Supervised by the United States." We have over their doors, "Member of the Federal reserve system." We have every other thing on earth over the doors of these banks to make people think that the United States Government is protecting them; and yet when a bank closes, they do not get anything at all out of the United States Government.

What we ought to do is to go ahead and rewrite this section so as to guarantee these deposits. It can be done in a very few lines. All in the world it is necessary to do is to assess the deposits whatever amount is necessary. If one-fourth of 1 per cent is not enough, make it one-half of 1 per cent, and guarantee to every one of these depositors the safety of these deposits, and we will stop to-morrow morning this wave of fear that is all over this country, and everybody who has a dollar in one of these banks will know that it is all right, and there is no danger of losing it.

This amendment, however, is not going to do any good at all. It is wrong in principle. It does not give any help to a bank until it is closed. It does not guarantee anything. We are giving out to the people that there is some salvation or some sacredness about the deposits they are making in the banks; and yet, as a matter of absolute, practical experience, it does not mean anything at all.

Now, why fool about it? Why meditate and why hesitate? Instead of procrastinating, we might just as well get down and realize that there is only one thing we can do if we want to help these banks, and that is to guarantee the deposits in them.

The PRESIDENT pro tempore. The time of the Senator from Louisiana has expired.

Mr. KEAN. Mr. President, I favor the amendment offered by the Senator from Rhode Island [Mr. METCALF].

There is one trouble that appeals to me very much, with this amendment and with the bill. That is, it does not go far enough, because should a bank close, under this bill, the liquidating corporation coming in and buying its assets, the receiver would have to advertise for three months under the United States bankruptcy law, so that the depositors could not be paid for more than three months. I think what we ought to do is to pass an amendment also to the bankruptcy act so that within a week or two, as soon as the Federal reserve bank determined what the good assets of failed banks were, they could immediately be liquidated, and whatever portion they could safely pay to the depositors should be paid at once.

I favor this amendment because it seems to me that for years the Federal reserve banks have been taking a large amount of money out of the member banks and giving them no adequate return for the money they have deposited. At the present time the member banks contribute to the Federal reserve banks practically 10 per cent of their deposits. It seems to me the Federal reserve banks are very much like the lilies of the field:

They tell not, neither do they spin:

And yet I say unto you, That even Solomon in all his glory was not arrayed like one of these.

I have before me a statement of the Federal reserve banks as to what they have paid for buildings in the short time they have been in existence. I will read this statement to the Senate. I am sorry to take up so much time. It is as follows:

Federal reserve bank premises

Federal reserve bank or branch	Cost of land, including old buildings demolished, net	Total cost of buildings	Total cost of land and buildings	Book value, net
Boston.....	\$1,246,726	\$4,204,760	\$5,451,486	\$3,335,841
New York:				
Main building.....	4,850,210	14,748,693	19,598,903	12,635,072
Annex building.....	592,679	1,666,988	2,259,667	1,513,721
Cleveland.....	1,295,490	8,014,147	9,309,637	5,040,509
Pittsburgh.....	781,364	1,295,783	2,077,147	2,077,147
Richmond:				
Main building.....	271,924	2,516,930	2,788,854	1,812,541
Annex building.....	80,333	586,699	667,032	267,134
Baltimore.....	250,487	1,566,840	1,817,327	1,525,548
Atlanta.....	283,000	1,530,766	1,813,766	1,121,226
Birmingham.....	124,137	358,124	482,261	360,068
Jacksonville.....	45,842	240,268	286,110	189,692
New Orleans.....	201,250	897,906	1,099,156	648,225
Chicago.....	2,963,548	7,493,684	10,457,232	6,182,646
Detroit.....	650,000	1,116,599	1,766,599	1,644,831
St. Louis.....	1,355,374	3,237,845	4,593,219	2,585,014
Little Rock.....	85,007	336,687	421,694	291,772
Memphis.....	100,906	276,355	377,261	336,812
Minneapolis.....	600,521	2,938,799	3,539,320	1,777,735
Kansas City.....	495,300	4,169,041	4,664,341	2,395,113
Denver.....	101,512	505,324	606,836	421,716
Oklahoma City.....	65,021	484,781	549,802	345,923
Omaha.....	176,427	468,425	644,852	480,314
Dallas.....	181,120	1,495,224	1,676,344	1,124,595
El Paso.....	39,093	122,193	161,196	112,600
Houston.....	66,313	349,013	415,326	306,127
San Antonio.....	75,002	178,830	253,832	241,994
San Francisco.....	412,996	3,919,315	4,332,311	2,364,198
Los Angeles.....	454,592	1,260,156	1,714,748	1,619,194
Salt Lake.....	114,075	426,263	540,338	449,822
Total.....	17,960,159	66,404,438	84,364,597	53,213,130

Source: Eighteenth Annual Report of the Federal Reserve Board for the year 1931.

Mr. President, I submit that, on that showing, if they could make that sum of money and appropriate it to those buildings, they certainly ought to be able to appropriate the sum of money called for under the amendment of the Senator from Rhode Island.

The following is a statement of the total net earnings of the Federal reserve banks:

Earnings of the 12 Federal reserve banks  
[In thousands of dollars]

	1931	1930	1929	1928	1927	1926
Total earnings.....	29,701	36,424	70,955	64,053	43,024	47,600
Current expenses.....	27,040	28,843	29,691	26,505	27,519	27,350
Current net earnings.....	2,661	8,081	41,264	37,148	15,505	20,250
Additions <sup>1</sup> .....	3,187	3,475	1,956	1,535	463	330
Deductions <sup>2</sup> .....	2,876	3,598	5,817	3,431	2,920	3,968
Net additions to current earnings.....	311	493	4,861	5,026	2,457	3,638
Net earnings.....	2,972	7,988	36,403	32,122	13,048	16,612
Dividends paid.....	10,030	10,209	9,584	8,459	7,754	7,329
Charged to surplus.....	7,058	2,298	22,536	21,079	6,044	8,465
Franchise tax to U. S. Government.....			17	4,283	250	818

<sup>1</sup> Profits on sales of United States governments, etc., unless otherwise stated.

<sup>2</sup> In 1929, withdrawals from reserves, etc. In 1928, losses sustained by sale of United States governments.

<sup>3</sup> Depreciation and other reserves, etc.

<sup>4</sup> Net deductions.

<sup>5</sup> Not including a depreciation reserve on United States governments of \$8,158,000 charged direct to surplus.

<sup>6</sup> Added to surplus.

Source: Annual reports of Federal Reserve Boards.

I think with that showing there is no question but that while member banks are failing owing to the charges they have to pay and because they have given up to the Federal Reserve this 10 per cent for which the Federal Reserve gives very little to the average bank, the Federal reserve banks could well afford to take up this proposition and pay a part of this money they have earned so that the member banks could be relieved from any subscription to this fund to take care of the closed banks.

Mr. GLASS. Mr. President, I hope the Senator from Rhode Island will not insist upon his amendment. It is so totally inadequate to do what we have proposed to do as to make the whole provision undesirable if we are to resort to that attenuated assistance to the depositors in the banks.

I may say to the Senate that this section was drawn with great care by the subcommittee of the Committee on Bank-

ing and Currency and discussed with great earnestness by the full committee. It was committed first to the technician of the committee and then to the drafting bureau of the Senate and its technic submitted to the experts of the Federal reserve system. It is very easily understood.

What is proposed is that we shall organize a liquidating corporation for the purpose of promptly adjusting the affairs of closed banks, instead of having prolonged and expensive administration of closed banks through the medium of receiverships.

It provides that the Federal reserve banks shall vote an estimated amount of \$68,000,000 from their surplus funds, which is no burden whatsoever on the Federal reserve banking system, that the member banks shall provide one-fourth of 1 per cent of their total deposits toward the capitalization of this liquidating corporation, which will amount to about \$75,000,000. I may say, parenthetically, that the expectation is that there will be but one call on the member banks, which would cause them to contribute but one-half of \$75,000,000.

In addition to that the Government was, under the original bill, to contribute \$125,000,000. That, I have explained to the Senate, we regarded as a recapture, but upon some objection to that I have prepared an amendment to the bill, which I have held in reserve, which would make that a subscription to the capital stock of the corporation rather than an outright appropriation from the Treasury.

We provide classification of the stock so that the member banks and the Government will receive dividends from the earnings of the corporation, and we provide in this connection that the excess earnings of the Federal reserve banks shall go into the surplus funds of the Federal reserve banks.

I have explained all those matters in detail, and I could wish that the Senator from Rhode Island would not press his amendment. If he does not, I shall offer the amendment to which I have just referred, which I have had in reserve here for a long time, making the Government's contribution in the nature of a subscription to the stock rather than an outright appropriation.

If the Senator wants to insist upon his amendment, I will ask for a vote on it.

Mr. BLAINE. Mr. President, will the Senator yield?

Mr. GLASS. I yield.

Mr. BLAINE. May I suggest to the Senator that a number of Senators individually have inquired of me respecting the bill as it was originally reported, and I have endeavored to explain that the Senator from Virginia had an amendment which was printed and was upon the table. I think there are a number of Senators who would like to know that that amendment provides for a subscription by the Federal Government, and that the Federal Government is upon a parity with the other subscribers to the stock.

Mr. GLASS. It does provide exactly that. I have it here ready to offer.

Mr. BLAINE. I am convinced of that myself, but I am sure there are a number of Senators who do not know it.

Mr. GLASS. I have stated two or three times that that is exactly the situation.

Mr. BLAINE. Would the Senator mind having a quorum call before a vote is taken and just that portion explained for the benefit of those Senators who have not been able to be present? I merely make the suggestion.

Mr. GLASS. Suppose we vote on the amendment of the Senator from Rhode Island first, and then I shall offer my amendment if that is voted down.

The VICE PRESIDENT. The question is on the amendment of the Senator from Rhode Island. (Putting the question.) The "noes" seem to have it. The "noes" have it, and the amendment is not agreed to.

Mr. GLASS. Mr. President, I offer the following amendment, which I send to the desk.

Mr. LONG. Mr. President, will the Senator yield?

Mr. GLASS. I yield.

Mr. LONG. I do not suppose there will be a great deal of opposition by the Senator. I want to offer another

amendment; but if the Senator wants to offer his amendment first, I am willing that he should proceed.

The VICE PRESIDENT. Let the amendment of the Senator from Virginia be reported for the information of the Senate.

The CHIEF CLERK. On page 15, beginning with line 6, strike out all through line 13 and insert in lieu thereof the following new paragraph:

(c) There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$125,000,000, which shall be available for payment by the Secretary of the Treasury for capital stock of the corporation in an equal amount, which shall be subscribed for by him on behalf of the United States. Payments upon such subscription shall be subject to call in whole or in part by the board of directors of the corporation. Such stock shall be in addition to the amount of capital stock required to be subscribed for by Federal reserve banks and member banks as hereinafter provided and the United States shall be entitled to the payment of dividends on such stock to the same extent as member banks are entitled to such payment on the class A stock of the corporation held by them. Receipts for payments by the United States for or on account of such stock shall be issued by the corporation to the Secretary of the Treasury and shall be evidence of the stock ownership of the United States.

The VICE PRESIDENT. The question is on the amendment of the Senator from Virginia [Mr. GLASS].

Mr. GLASS. Mr. President, I do not care to discuss the amendment further.

The VICE PRESIDENT. The question is on agreeing to the amendment of the Senator from Virginia. [Putting the question.] The ayes seem to have it. The ayes have it, and the amendment is agreed to.

Mr. LONG. Mr. President, I send to the desk an amendment and ask to have it reported.

The VICE PRESIDENT. The clerk will read the amendment for the information of the Senate.

The CHIEF CLERK. The Senator from Louisiana offers the following amendment. On page 52, between lines 11 and 12, insert the following new section:

SEC. 25-A. (a) That to expand the currency to restore confidence, the Secretary of the Treasury is hereby authorized and directed to purchase silver bullion, at the market price, whenever 371.25 grains of fine silver is less in value than 25.8 grains of gold, nine-tenths fine, and to pay for same by issuing to the seller or sellers silver certificates in denominations of \$1, \$5, \$10, \$20, \$50, and \$100, payable to bearer on demand.

(b) The silver certificates authorized to be issued under this act are hereby made legal tender and shall be accepted at their full face value for all debts and dues, public and private, of every nature and description, and when accepted by the Government shall be reissued and in all respects shall become a part of the lawful money of the United States.

(c) That there shall be engraved on one side of each silver certificate so issued, "This certifies that there is on deposit in the Treasury of the United States silver bullion equivalent when valued in gold to the face value of this certificate," and on the reverse side, "This certificate is legal tender for all debts, both public and private."

(d) The bullion purchased under this act shall be stored in the Treasury of the United States in blocks or bricks of standardized and uniform fineness and in convenient units by weight and stamped by authorized official stamp, as may be determined within the discretion of the Secretary of the Treasury.

(e) That the Secretary of the Treasury is further authorized and directed to issue additional certificates against said silver bullion so acquired and deposited in the Treasury under this act: *Provided*, That the amount of silver bullion so acquired and on deposit in the Treasury as aforesaid exceeds by 10 per cent in value all certificates issued against same including the additional certificates when valued in gold. The additional certificates so issued shall be put in circulation by discharging current obligations of the Government.

(f) That should at any time the amount of silver bullion acquired and deposited in the Treasury under this act become in value less than 10 per cent in excess of the face value of all certificates outstanding against same, the Secretary of the Treasury shall at once proceed to purchase a sufficient amount of silver bullion and deposit same in the Treasury until the amount on deposit in the Treasury shall exceed by 10 per cent in value the total face value of all certificates issued and outstanding against same, and the sum of \$100,000,000 is hereby appropriated to be used for that purpose if necessary.

(g) Upon the presentation for redemption, by the bearer, of silver certificates provided for in this act, there shall be delivered to the holder of the certificate an amount of silver equal to the gold equivalent in value of the certificate so presented at the market price of silver as of the day prior to the date of presentation: *Provided, however*, That the Secretary of the Treasury shall have the option of redeeming said certificates in gold in lieu of silver at their face value.

(h) The Secretary of the Treasury is authorized and directed to make rules and regulations for carrying out the provisions of this act.

Mr. WHEELER. Mr. President, I offer the following substitute for the amendment which has just been offered by the Senator from Louisiana.

The VICE PRESIDENT. Let it be read for the information of the Senate.

The CHIEF CLERK. The Senator from Montana [Mr. WHEELER] offers the following substitute for the amendment offered by the Senator from Louisiana:

On page 52, between lines 11 and 12, insert the following new section:

"Sec. 25-A. (a) The proportional value of silver to gold in all coins which are by law current as money within the United States shall be as 16 to 1, according to quantity in weight, of pure silver or pure gold; that is to say, every 16 pounds weight of pure silver shall be of equal value in all payments with 1 pound weight of pure gold, and so in proportion as to any greater or less quantities of the respective metals.

"(b) There shall be free coinage of both gold and silver, at the ratio fixed in this act, subject to the conditions and limitations now provided by law with respect to the coinage of gold; and all the laws of the United States relating to such coinage or to recoinage, exchange, or conversion of coin, bars, or bullion of gold shall apply equally, so far as practicable, to silver.

"(c) The dollar consisting of 25.8 grains of gold nine-tenths fine, or of 412½ grains of silver nine-tenths fine, shall be the standard unit of value, and all forms of money issued or coined by the United States shall be maintained at a parity of value with this standard, and it shall be the duty of the Secretary of the Treasury to maintain such parity."

The VICE PRESIDENT. The question is on the substitute proposed by the Senator from Montana.

Mr. WHEELER. Mr. President, I have just been conferring with the Senator from Virginia [Mr. GLASS] and the Senator from Arkansas [Mr. ROBINSON]. I do not want to start to discuss my amendment at this late hour.

Mr. LONG. Mr. President, has the proposed substitute been printed?

The VICE PRESIDENT. It has not been printed.

Mr. LONG. I would like to have it printed during the night if we are to recess at this time.

The VICE PRESIDENT. It will be printed.

Mr. WHEELER. I shall want to speak on it in the morning. I think some kind of an agreement has been entered into whereby it will not be necessary for me to begin speaking this evening.

Mr. GLASS. Mr. President, let me have the attention of the Senator from Oregon [Mr. McNARY] for a moment.

I announced on Saturday last to what I thought was a fairly full Senate that I should ask night sessions beginning to-night. It appears that in some way that notice was not as fully understood as could be desired. I have no disposition to inconvenience Senators, many of whom have announced to me that they have made engagements for this evening, nor have I any disposition to compel the Senator from Montana to proceed with his speech upon his proposed substitute. However, I am determined that the Senate shall either pass the bill or refuse to pass it.

After conferring with leaders on both sides, I am going to propose that the Senate take a recess until 11 o'clock to-morrow morning, with the distinct understanding that we shall remain in session until 10 o'clock to-morrow night, if necessary, to pass upon the bill. I hope the Senator from Oregon will concur in that suggestion.

Mr. McNARY. Mr. President, the very generous attitude on the part of the Senator from Virginia is most commendable. Few Senators understood, or at least it escaped their memory if they did understand, that there would be a night session to-night. I shall be very happy to assist the Senator from Virginia, and I assure him of full cooperation to keep the Senate in session to-morrow evening.

Mr. LONG. Mr. President, I must say that I am very glad to see the Senate getting down to business at last. [Laughter.]

RECESS

Mr. McNARY. I move that the Senate take a recess until 11 o'clock to-morrow morning.

The motion was agreed to; and the Senate (at 5 o'clock and 13 minutes p. m.) took a recess until to-morrow, Tuesday, January 24, 1933, at 11 o'clock a. m.

## HOUSE OF REPRESENTATIVES

MONDAY, JANUARY 23, 1933

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Merciful God, Thou art just, perfectly just, and Thou hast told us to do unto others as we would have them do unto us; this is the great universal law of Thy equity. Thy commandment is with us, our Father. Just now let our cardinal thoughts be on godliness and righteousness, and everything done to-day subordinated to the chiefest good. Sustain and strengthen us by those glorious truths, influences, and hopes which were so wondrously incarnated in the earthly life of our divine Teacher. O come, Holy Spirit, and meet our needs and make possible our ideals and establish the work of our hands. Oh, blessed privilege it is to be a citizen of this Republic, having a reverent heart for its institutions, living a loyal life in the ability and disposition to serve. Amen.

The Journal of the proceedings of Saturday was read and approved.

### MESSAGE FROM THE SENATE

A message from the Senate by Mr. Craven, its principal clerk, announced that the Senate had passed a bill of the following title, in which the concurrence of the House is requested:

S. 5484. An act to extend the time during which certain provisions of the act of February 27, 1932, relating to improving the facilities of the Federal reserve system to meet the needs of member banks in exceptional circumstances, shall be effective.

The message also announced that the Senate had agreed to the amendments of the House to the bill (S. 3675) entitled "An act relating to the deferment and adjustment of construction charges for the years 1931 and 1932 on Indian irrigation projects."

### AMENDMENT OF THE BANKRUPTCY ACT

Mr. SUMNERS of Texas. Mr. Speaker, on behalf of the Committee on the Judiciary, I ask unanimous consent that it may have until midnight to-night to file reports to accompany the bill (H. R. 14359) to amend an act entitled "An act to establish a uniform system of bankruptcy throughout the United States," approved July 1, 1898, and acts amendatory thereof and supplementary thereto.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

### QUESTION OF PERSONAL PRIVILEGE

Mr. McFADDEN and Mr. COLLINS rose.

The SPEAKER. For what purpose does the gentleman from Pennsylvania rise?

Mr. McFADDEN. Mr. Speaker, I rise to a question of personal privilege.

The SPEAKER. The gentleman will state it.

Mr. McFADDEN. Mr. Speaker, it is a rule of the House of Representatives, which rule rests upon the Constitution of the United States, that a Representative may not be assailed when he acts in his representative capacity.

Mr. Speaker, I have been assailed and charges have been made against me as a Representative which are false and defamatory.

On December 13, 1932, I impeached Herbert Hoover, President of the United States, for high crimes and misdemeanors. No action was taken on my charge of impeachment. The resolution which accompanied it was tabled. On December 14, 1932, the New York Herald Tribune published the following article in its editorial columns: